

FINANCIAL AUDIT  
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT  
OF THE  
MICHIGAN DEPARTMENT OF TRANSPORTATION

October 1, 1998 through September 30, 2000

## EXECUTIVE DIGEST

# MICHIGAN DEPARTMENT OF TRANSPORTATION

INTRODUCTION	This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Michigan Department of Transportation (MDOT) for the period October 1, 1998 through September 30, 2000.
AUDIT PURPOSE	This financial audit of MDOT was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
BACKGROUND	<p>MDOT's mission* is to provide the people of Michigan with the highest quality transportation services for economic benefit and improved quality of life. MDOT's financial and accounting operations are primarily concentrated in the Bureau of Finance and Administration. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities.</p> <p>MDOT's major sources of funding are tax revenues dedicated for transportation purposes and federal funds. During fiscal year 1999-2000, MDOT's revenues totaled</p>

\* See glossary at end of report for definition.

\$3.1 billion and expenditures totaled \$3.1 billion. As of September 30, 2000, MDOT had 3,250 employees.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To audit MDOT's financial statements and to examine the supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to MDOT's financial statements as of and for the fiscal years ended September 30, 2000 and September 30, 1999.

**Conclusion:** We expressed an unqualified opinion\* on MDOT's financial statements. In addition, we expressed an unqualified opinion on MDOT's supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to the financial statements taken as a whole.

**Audit Objective:** To assess and report on MDOT's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control\* over financial reporting, based on our audit of the financial statements.

**Conclusion:** Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses\*. However, we identified reportable conditions\* related to equipment and controls over Michigan Administrative Information Network\* (MAIN) user access (Findings 1 and 2).

\* See glossary at end of report for definition.

**In addition, our assessment indicated that MDOT was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.**

**Audit Objective:** To assess and report on MDOT's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

**Conclusion:** We issued an unqualified opinion on MDOT's compliance with requirements applicable to each major federal program. Also, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains two findings and two corresponding recommendations. The Department's corrective action plan indicates that it agrees with both recommendations and will implement one recommendation by September 30, 2001 and has implemented the other recommendation.

As disclosed in MDOT's summary schedule of prior audit findings, MDOT fully corrected 3 of the 6 prior Single Audit findings and did not correct or partially corrected 3 findings.

June 29, 2001

Mr. Barton W. LaBelle, Chairperson  
State Transportation Commission  
and  
Mr. Gregory J. Rosine, Director  
Michigan Department of Transportation  
Transportation Building  
Lansing, Michigan

Dear Mr. LaBelle and Mr. Rosine:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Transportation for the period October 1, 1998 through September 30, 2000.

This report contains our executive digest; description of agency; audit objectives and conclusions, audit scope, and agency responses and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial statements, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the Michigan Department of Transportation financial statements and notes to the financial statements, supplemental financial statements and schedules, other schedules, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

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## Description of Agency

The Michigan Department of Transportation (MDOT) was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (Sections 350 - 358, Act 380, P.A. 1965). The State Transportation Commission, made up of six members who are appointed by the Governor with the advice and consent of the Senate, is responsible for establishing MDOT policies. MDOT is managed by a director, appointed by the Governor, who is responsible for administering MDOT and implementing the policies established by the Commission. MDOT's mission is to provide the people of Michigan with the highest quality transportation services for economic benefit and improved quality of life.

MDOT's financial and accounting operations are primarily concentrated in the Bureau of Finance and Administration. The Bureau is organized into four divisions: Financial Operations Division, Financial Services Division, Technological Services Division, and Organizational Training and Development Division. The Bureau provides management with financial data obtained by ensuring the accounting for and reporting of all financial transactions. Also, the Bureau prequalifies construction contractors and processes payments for all commodities, services, and contracts. In addition, the Bureau provides management with short-range and long-range revenue estimates and cash flow forecasts for budgeting purposes. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities.

Funding for MDOT is provided from vehicle and airplane fuel and value taxes plus a portion of sales taxes on vehicles, parts, and accessories. This funding is distributed to transportation programs in accordance with Sections 247.651 - 247.674 of the *Michigan Compiled Laws* (Act 51, P.A. 1951). Funding is also provided by the U.S. Department of Transportation from federal fuel and excise taxes on certain commodities.

During fiscal year 1999-2000, MDOT's revenues totaled \$3.1 billion and expenditures totaled \$3.1 billion. As of September 30, 2000, MDOT had 3,250 employees.

Audit Objectives and Conclusions, Audit Scope,  
and Agency Responses and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Transportation (MDOT) had the following objectives:

1. To audit MDOT's financial statements and to examine the supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to MDOT's financial statements as of and for the fiscal years ended September 30, 2000 and September 30, 1999.

**We expressed an unqualified opinion on MDOT's financial statements. In addition, we expressed an unqualified opinion on MDOT's supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to the financial statements taken as a whole.**

2. To assess and report on MDOT's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control over financial reporting, based on our audit of the financial statements.

**Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.** However, we identified reportable conditions related to equipment and controls over Michigan Administrative Information Network (MAIN) user access (Findings 1 and 2).

**In addition, our assessment indicated that MDOT was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.**

The findings related to our assessment of compliance and internal control over financial reporting are contained in Section II of the schedule of findings and questioned costs\*.

3. To assess and report on MDOT's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

**We issued an unqualified opinion on MDOT's compliance with requirements applicable to each major federal program. Also, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.**

#### Audit Scope

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered MDOT's internal control over compliance applicable to each major federal program and assessed MDOT's compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, we followed up on MDOT's summary schedule of prior audit findings. MDOT's major federal programs are identified in Section I of the schedule of findings and questioned costs.

#### Agency Responses and Prior Audit Follow-Up

Our audit report contains two findings and two corresponding recommendations. The Department's corrective action plan indicates that it agrees with both recommendations

\* See glossary at end of report for definition.

and will implement one recommendation by September 30, 2001 and has implemented the other recommendation.

MDOT's corrective action plan, which is included in this report, was prepared by MDOT as required by OMB Circular A-133. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MDOT to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

As disclosed in MDOT's summary schedule of prior audit findings, MDOT fully corrected 3 of the 6 prior Single Audit findings and did not correct or partially corrected 3 findings.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Section I: Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified that are not considered to be material weaknesses? Yes

Noncompliance material to the financial statements? No

### Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)? No

Identification of major programs:

<i>CFDA</i> Number	Name of Federal Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.308	Local Rail Freight Assistance

Dollar threshold used to distinguish between type A and type B programs: \$5,092,017

Auditee qualified as a low-risk auditee\*? No

## Section II: Findings Related to the Financial Statements

### **FINDING (590101)**

#### 1. Equipment

The Michigan Department of Transportation (MDOT) needs to improve its controls over accounting for equipment.

MDOT's equipment as of September 30, 2000 totaled \$107.2 million and included office furnishings, computer equipment, fleet vehicles, and aeronautic equipment.

Department of Management and Budget (DMB) procedures state that each agency is responsible for implementing and maintaining an equipment inventory system that provides adequate internal control and necessary financial information used by the DMB Office of Financial Management (OFM) in preparing the *State of Michigan Comprehensive Annual Financial Report*. Agencies must perform an annual physical inventory of equipment in their possession and report fixed asset financial information to OFM.

We noted the following weaknesses in MDOT's controls over equipment:

- a. MDOT did not perform annual inventories of aeronautic equipment or buses in its possession for fiscal years 1999-2000 and 1998-99 and did not perform an annual inventory of computer equipment for fiscal year 1998-99. Also, MDOT's procedures did not ensure the timely accumulation of office furnishings inventory information.

Without complete and timely inventory information, MDOT cannot ensure the accuracy of its equipment reporting.

- b. MDOT did not have written procedures to account for and report on equipment.

\* See glossary at end of report for definition.

Written procedures help ensure that employees consistently and properly complete their assigned duties. Also, written procedures minimize the disruptive impact and training costs associated with replacing existing employees.

As part of the process to provide OFM with equipment information, MDOT performs various activities. Generally, MDOT did not document the procedures needed to effectively perform these activities. For example, MDOT owned \$9.4 million of buses that it loaned to local units. However, MDOT had not inventoried the buses and reported their existence until their omission was brought to MDOT's attention in fiscal year 1999-2000. Procedures did not exist that would have helped MDOT determine that it needed to inventory the buses and correctly report the amounts to OFM and in MDOT's own financial statements.

## **RECOMMENDATION**

We recommend that MDOT improve its controls over accounting for equipment.

## **FINDING (590102)**

### **2. Controls Over MAIN User Access**

MDOT needs to strengthen controls over Michigan Administrative Information Network (MAIN) user access.

Our review of MAIN user classes and user security disclosed:

- a. MDOT did not provide a written affirmation to OFM stating that compensating controls were in place for 7 of 14 persons with incompatible user class combinations during fiscal year 1998-99.

MAIN Financial Administration and Control System (FACS) Security Manual section 6.3.2 requires that agencies provide OFM with a written affirmation stating that they understand the internal control risks associated with the identified user class combinations and that they take full responsibility for maintaining effective compensating controls. In addition, each agency must provide OFM with documentation of its compensating controls.

- b. Thirty of 42 employees who had departed between October 1, 1999 and September 30, 2000 still had access to MAIN as of November 22, 2000. To comply with MAIN FACS Security Manual section 4.1, agencies need controls that will revoke employees' MAIN access when they terminate employment with MDOT to avoid unauthorized use of MAIN.

For 1 of the 30 employees who had departed from MDOT, we found 708 unauthorized uses of MAIN from March 20, 2000 until March 11, 2001 by another employee. The other employee "borrowed" the departed employee's MAIN access to make legitimate MDOT transactions because MDOT did not ensure that the employee had proper access to MAIN.

### **RECOMMENDATION**

We recommend that MDOT strengthen controls over MAIN user access.

**The status of the findings related to the financial statements that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.**

### **Section III: Findings and Questioned Costs Related to Federal Awards**

We did not report any findings related to federal awards.

**The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.**

Independent Auditor's Report on  
the Financial Statements

March 29, 2001

Mr. Barton W. LaBelle, Chairperson  
State Transportation Commission  
and  
Mr. Gregory J. Rosine, Director  
Michigan Department of Transportation  
Transportation Building  
Lansing, Michigan

Dear Mr. LaBelle and Mr. Rosine:

We have audited the accompanying combined financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 2000 and September 30, 1999 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1a, the accompanying financial statements present only the Michigan Department of Transportation and are not intended to present fairly the financial position and results of operations of the State of Michigan or its special revenue, debt service, expendable trust, or agency funds.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Michigan Department of Transportation

as of September 30, 2000 and September 30, 1999 and the results of its operations for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2001 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial statements referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

Independent Auditor's Report on Compliance and  
on Internal Control Over Financial Reporting

March 29, 2001

Mr. Barton W. LaBelle, Chairperson  
State Transportation Commission  
and  
Mr. Gregory J. Rosine, Director  
Michigan Department of Transportation  
Transportation Building  
Lansing, Michigan

Dear Mr. LaBelle and Mr. Rosine:

We have audited the financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 2000 and September 30, 1999 and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 1 and 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that neither of the reportable conditions described in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State Transportation Commission, the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

March 29, 2001

Mr. Barton W. LaBelle, Chairperson  
State Transportation Commission  
and  
Mr. Gregory J. Rosine, Director  
Michigan Department of Transportation  
Transportation Building  
Lansing, Michigan

Dear Mr. LaBelle and Mr. Rosine:

Compliance

We have audited the compliance of the Michigan Department of Transportation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary

in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Michigan Department of Transportation complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999.

#### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State Transportation Commission, the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Combined Balance Sheet  
All Fund Types and Account Groups  
As of September 30  
(In Thousands)

	Governmental Fund Types				Fiduciary Fund Types			
	Special Revenue		Debt Service		Trust		Agency	
	2000	1999	2000	1999	2000	1999	2000	1999
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$ 176	\$ 36	\$	\$	\$	\$	\$	\$
Equity in Common Cash	689,483	610,553				4,410		119
Receivables (Note 3):								
Taxes, interest, and penalties (at net)	97,513	99,866						
Federal aid	142,824	96,621			23,771	16,760		126
Local units	20,885	22,376			14,798	10,180		
Other funds and component units	53,827	66,963						
Miscellaneous	16,430	9,358			211	67		
Inventories	6,951	8,568						
Total Current Assets	<u>\$ 1,028,091</u>	<u>\$ 914,340</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,780</u>	<u>\$ 31,417</u>	<u>\$ 0</u>	<u>\$ 246</u>
Noncurrent Assets:								
Receivables:								
Taxes (Note 3b)	\$ 1,691	\$ 753	\$	\$	\$	\$	\$	\$
Federal aid (Note 3c)	1,352	449						
Local units	33,920	34,251						
Advances to other funds	28,942	33,642						
Land contracts	3,776	3,653						
Miscellaneous	1,609	1,440						
Property, plant and equipment (Note 7)								
Amount to be provided for bond retirement (Note 4)								
Amount provided for other long-term obligations								
Total Noncurrent Assets	<u>\$ 71,290</u>	<u>\$ 74,188</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Assets	<u>\$ 1,099,381</u>	<u>\$ 988,528</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,780</u>	<u>\$ 31,417</u>	<u>\$ 0</u>	<u>\$ 246</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Current Liabilities:								
Warrants outstanding	\$ 22,615	\$ 23,598	\$	\$	\$ 3,413	\$ 4,013	\$	\$ 57
Accounts payable	430,770	389,203			25,618	23,292		189
Contract reserve payable	12,424	10,760			3,885	3,643		
Due to other funds and component units	54,045	66,649			3,345			
Deposits, permits, and other liabilities	3,229	2,392						
Deferred revenue	10,455	6,615			2,519	469		
Total Current Liabilities	<u>\$ 533,539</u>	<u>\$ 499,219</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,780</u>	<u>\$ 31,417</u>	<u>\$ 0</u>	<u>\$ 246</u>
Long-Term Liabilities:								
Deferred revenue	\$ 17,827	\$ 15,541	\$	\$	\$	\$	\$	\$
Advances from other funds	28,942	33,642						
Bonds and notes payable (Note 4)								
Other long-term liabilities								
Total Liabilities	<u>\$ 580,309</u>	<u>\$ 548,402</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,780</u>	<u>\$ 31,417</u>	<u>\$ 0</u>	<u>\$ 246</u>

*This statement continued on next page.*

Account Groups					
General Fixed Assets		General Long-Term Obligations		Totals (Memorandum Only)	
2000	1999	2000	1999	2000	1999
\$	\$	\$	\$	\$ 176	\$ 36
				689,483	615,082
				97,513	99,866
				166,595	113,507
				35,684	32,556
				53,827	66,962
				16,641	9,425
				6,951	8,568
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,066,870</u>	<u>\$ 946,002</u>
\$	\$	\$	\$	\$ 1,691	\$ 753
				1,352	449
				33,920	34,251
				28,942	33,642
				3,777	3,653
				1,609	1,440
215,343	208,664			215,343	208,664
		836,704	858,941	836,704	858,941
		40,501	37,520	40,501	37,520
<u>\$ 215,343</u>	<u>\$ 208,664</u>	<u>\$ 877,205</u>	<u>\$ 896,461</u>	<u>\$ 1,163,839</u>	<u>\$ 1,179,313</u>
<u>\$ 215,343</u>	<u>\$ 208,664</u>	<u>\$ 877,205</u>	<u>\$ 896,461</u>	<u>\$ 2,230,710</u>	<u>\$ 2,125,315</u>
\$	\$	\$	\$	\$ 26,028	\$ 27,668
				456,389	412,684
				16,309	14,405
				57,391	66,649
				3,229	2,392
				12,973	7,084
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 572,319</u>	<u>\$ 530,882</u>
\$	\$	\$	\$	\$ 17,828	\$ 15,541
				28,942	33,642
		836,704	858,941	836,704	858,941
		40,501	37,520	40,501	37,520
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 877,205</u>	<u>\$ 896,461</u>	<u>\$ 1,496,294</u>	<u>\$ 1,476,526</u>

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Combined Balance Sheet  
All Fund Types and Account Groups  
As of September 30  
(In Thousands)  
Continued

	Governmental Fund Types				Fiduciary Fund Types			
	Special Revenue		Debt Service		Trust		Agency	
	2000	1999	2000	1999	2000	1999	2000	1999
Fund Balances:								
Investment in general fixed assets (Note 7)	\$	\$	\$	\$	\$	\$	\$	\$
Reserved for encumbrances	67,862	62,311						
Reserved for unencumbered restricted revenue balances	212,221	86,388						
Reserved for unencumbered capital outlay and work projects	92,604	148,572						
Reserved for construction and debt service	35,901	35,905						
Reserved for revolving loans	28,387	21,919						
Reserved for noncurrent assets	25,315	25,963						
Total Reserved	\$ 462,290	\$ 381,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	56,783	59,067						
Total Fund Balances	\$ 519,072	\$ 440,126	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities and Fund Balances	\$ 1,099,381	\$ 988,528	\$ 0	\$ 0	\$ 38,780	\$ 31,417	\$ 0	\$ 246

The accompanying notes are an integral part of the financial statements.

Account Groups				Totals	
General Fixed Assets		General Long-Term Obligations		(Memorandum Only)	
2000	1999	2000	1999	2000	1999
\$ 215,343	\$ 208,664	\$	\$	\$ 215,343	\$ 208,664
				67,862	62,311
				212,221	86,388
				92,604	148,572
				35,901	35,905
				28,387	21,919
				25,315	25,963
\$ 215,343	\$ 208,664	\$ 0	\$ 0	\$ 677,633	\$ 589,722
				56,783	59,067
\$ 215,343	\$ 208,664	\$ 0	\$ 0	\$ 734,416	\$ 648,789
\$ 215,343	\$ 208,664	\$ 877,205	\$ 896,461	\$ 2,230,710	\$ 2,125,315

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Funds  
Fiscal Years Ended September 30  
(In Thousands)

	<u>Governmental Fund Types</u>			
	<u>Special Revenue</u>		<u>Debt Service</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
REVENUES				
Taxes	\$ 1,898,995	\$ 1,847,841	\$	\$
Licenses and permits	76,095	75,995		
Federal aid	793,797	614,134		
Local participation	44,102	56,602		
Interest earnings	34,865	29,499		
Nonoperating revenue - bridges	2,389	2,400		
Miscellaneous	32,118	36,205	1	1
Total Revenues	<u>\$ 2,882,361</u>	<u>\$ 2,662,676</u>	<u>\$ 1</u>	<u>\$ 1</u>
EXPENDITURES				
Administration and Operations:				
Administration and maintenance	\$ 347,351	\$ 335,991	\$	\$
Bus operating assistance grants	159,320	161,628		
Other grants	1,070,996	1,055,114		
Airport development	83,283	89,990		
Nonoperating expenditures - bridges	2,367	2,400		
Trust fund construction activity				
Capital lease payments	413	405		
Bond principal retirement			26,040	38,150
Bond interest and fiscal charges			42,377	41,532
Total Administration and Operations	<u>\$ 1,663,730</u>	<u>\$ 1,645,528</u>	<u>\$ 68,417</u>	<u>\$ 79,682</u>
Capital Outlay:				
Roads and bridges	\$ 1,085,383	\$ 992,991	\$	\$
Other capital outlay	12,192	24,597		
Total Capital Outlay	<u>\$ 1,097,576</u>	<u>\$ 1,017,588</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 2,761,307</u>	<u>\$ 2,663,116</u>	<u>\$ 68,417</u>	<u>\$ 79,682</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 121,054</u>	<u>\$ (440)</u>	<u>\$ (68,416)</u>	<u>\$ (79,681)</u>
OTHER FINANCING SOURCES				
Michigan Transportation Fund distribution	\$ 784,553	\$ 765,755	\$	\$
Grants and transfers from other funds and component units	258,938	153,326	68,417	79,682
Capital lease acquisitions		755		
Total Other Financing Sources	<u>\$ 1,043,490</u>	<u>\$ 919,836</u>	<u>\$ 68,417</u>	<u>\$ 79,682</u>

*This statement continued on next page.*

Fiduciary Fund Types		Totals	
Trust		(Memorandum Only)	
2000	1999	2000	1999
\$	\$	\$ 1,898,996	\$ 1,847,841
		76,094	75,995
166,468	115,884	960,264	730,017
46,504	43,096	90,605	99,697
		34,866	29,500
		2,389	2,400
492	48	32,611	36,255
<u>\$ 213,464</u>	<u>\$ 159,028</u>	<u>\$ 3,095,825</u>	<u>\$ 2,821,705</u>
\$	\$	\$ 347,352	\$ 335,991
		159,320	161,627
		1,070,996	1,055,116
		83,283	89,990
		2,367	2,400
224,493	158,605	224,493	158,605
		413	405
		26,040	38,150
		42,377	41,532
<u>\$ 224,493</u>	<u>\$ 158,605</u>	<u>\$ 1,956,641</u>	<u>\$ 1,883,816</u>
\$	\$	\$ 1,085,383	\$ 992,991
		12,192	24,597
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,097,575</u>	<u>\$ 1,017,588</u>
<u>\$ 224,493</u>	<u>\$ 158,605</u>	<u>\$ 3,054,216</u>	<u>\$ 2,901,404</u>
<u>\$ (11,029)</u>	<u>\$ 423</u>	<u>\$ 41,609</u>	<u>\$ (79,699)</u>
\$	\$	\$ 784,553	\$ 765,755
11,216	114	338,570	233,122
		0	755
<u>\$ 11,216</u>	<u>\$ 114</u>	<u>\$ 1,123,123</u>	<u>\$ 999,632</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Funds  
Fiscal Years Ended September 30  
(In Thousands)  
*Continued*

	Governmental Fund Types			
	Special Revenue		Debt Service	
	2000	1999	2000	1999
OTHER FINANCING USES				
Michigan Transportation Fund distribution	\$ 784,553	\$ 765,755	\$	\$
Grants and transfers to other funds and component units	232,627	216,370	1	1
Debt service	68,417	79,682		
Total Other Financing Uses	<u>\$ 1,085,598</u>	<u>\$ 1,061,807</u>	<u>\$ 1</u>	<u>\$ 1</u>
Excess of Other Financing Sources Over (Under)				
Other Financing Uses	<u>\$ (42,108)</u>	<u>\$ (141,971)</u>	<u>\$ 68,416</u>	<u>\$ 79,681</u>
Excess of Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	\$ 78,947	\$ (142,410)	\$ 0	\$ 0
Fund balances - Beginning of fiscal year	<u>440,126</u>	<u>582,536</u>		
Fund balances - End of fiscal year	<u>\$ 519,072</u>	<u>\$ 440,126</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types		Totals	
Trust		(Memorandum Only)	
2000	1999	2000	1999
\$	\$	\$ 784,553	\$ 765,755
187	537	232,816	216,908
		68,417	79,682
<u>\$ 187</u>	<u>\$ 537</u>	<u>\$ 1,085,786</u>	<u>\$ 1,062,345</u>
<u>\$ 11,029</u>	<u>\$ (423)</u>	<u>\$ 37,337</u>	<u>\$ (62,714)</u>
\$ 0	\$ 0	\$ 78,947	\$ (142,410)
<u>          </u>	<u>          </u>	<u>440,126</u>	<u>582,536</u>
<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 519,072</u></u>	<u><u>\$ 440,126</u></u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Note 2)  
Special Revenue Funds  
Fiscal Years Ended September 30  
(In Thousands)

	2000		Variance
	Budget	Actual	Favorable (Unfavorable)
(Statutory/Budgetary Basis)			
REVENUES			
Taxes	\$ 1,898,995	\$ 1,898,995	\$ 0
Licenses and permits	76,095	76,095	0
Federal aid	772,688	772,688	0
Local participation	43,863	43,974	111
Interest earnings	32,909	32,909	0
Nonoperating revenue - bridges	2,389	2,389	0
Miscellaneous	<u>30,747</u>	<u>32,099</u>	<u>1,352</u>
Total Revenues	<u>\$ 2,857,685</u>	<u>\$ 2,859,148</u>	<u>\$ 1,463</u>
EXPENDITURES AND ENCUMBRANCES			
Administration and Operations:			
Administration and maintenance	\$ 412,191	\$ 371,046	\$ 41,145
Bus operating assistance grants	161,526	159,362	2,164
Other grants	1,190,003	1,112,509	77,494
Airport development	85,982	84,569	1,413
Nonoperating expenditures - bridges	<u>2,389</u>	<u>2,367</u>	<u>22</u>
Total Administration and Operations	<u>\$ 1,852,091</u>	<u>\$ 1,729,853</u>	<u>\$ 122,238</u>
Capital Outlay:			
Roads and bridges	\$ 1,059,042	\$ 1,055,625	\$ 3,417
Other capital outlay	<u>41,538</u>	<u>12,446</u>	<u>29,092</u>
Total Capital Outlay	<u>\$ 1,100,580</u>	<u>\$ 1,068,071</u>	<u>\$ 32,509</u>
Total Expenditures and Encumbrances	<u>\$ 2,952,671</u>	<u>\$ 2,797,924</u>	<u>\$ 154,747</u>
Excess of Revenues Over (Under) Expenditures and Encumbrances	<u>\$ (94,985)</u>	<u>\$ 61,225</u>	<u>\$ 156,210</u>
OTHER FINANCING SOURCES			
Michigan Transportation Fund distribution	\$ 784,553	\$ 784,553	\$ 0
Grants and transfers from other funds and component units	<u>192,617</u>	<u>255,517</u>	<u>62,900</u>
Total Other Financing Sources	<u>\$ 977,170</u>	<u>\$ 1,040,070</u>	<u>\$ 62,900</u>
OTHER FINANCING USES			
Michigan Transportation Fund distribution	\$ 785,352	\$ 784,554	\$ 798
Grants and transfers to other funds and component units	229,610	230,730	(1,120)
Debt service	<u>68,418</u>	<u>68,416</u>	<u>2</u>
Total Other Financing Uses	<u>\$ 1,083,380</u>	<u>\$ 1,083,700</u>	<u>\$ (320)</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (106,210)</u>	<u>\$ (43,630)</u>	<u>\$ 62,580</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses	<u>\$ (201,197)</u>	<u>\$ 17,594</u>	<u>\$ 218,791</u>

*This statement continued on next page.*

1999		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,847,841	\$ 1,847,841	\$ 0
75,995	75,995	0
592,973	592,973	0
56,113	56,113	0
28,676	28,676	0
2,400	2,400	0
34,911	34,911	0
<u>\$ 2,638,909</u>	<u>\$ 2,638,909</u>	<u>\$ 0</u>
\$ 386,353	\$ 355,206	\$ 31,147
163,362	163,285	77
1,156,242	1,091,760	64,482
93,317	91,370	1,947
2,400	2,400	0
<u>\$ 1,801,674</u>	<u>\$ 1,704,021</u>	<u>\$ 97,653</u>
\$ 936,702	\$ 936,149	\$ 553
41,109	24,983	16,126
<u>\$ 977,811</u>	<u>\$ 961,133</u>	<u>\$ 16,678</u>
\$ 2,779,485	\$ 2,665,154	\$ 114,331
<u>\$ (140,576)</u>	<u>\$ (26,245)</u>	<u>\$ 114,331</u>
\$ 765,755	\$ 765,755	\$ 0
149,893	146,740	(3,153)
<u>\$ 915,649</u>	<u>\$ 912,495</u>	<u>\$ (3,153)</u>
\$ 765,756	\$ 765,755	\$ 1
224,032	216,073	7,959
83,079	79,682	3,397
<u>\$ 1,072,867</u>	<u>\$ 1,061,510</u>	<u>\$ 11,357</u>
<u>\$ (157,219)</u>	<u>\$ (149,015)</u>	<u>\$ 8,204</u>
<u>\$ (297,794)</u>	<u>\$ (175,257)</u>	<u>\$ 122,537</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Note 2)  
Special Revenue Funds  
Fiscal Years Ended September 30  
(In Thousands)  
Continued

	<u>2000</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
RECONCILING ITEMS			
Encumbrances at September 30		\$ 67,862	
Funds not annually budgeted		<u>(6,510)</u>	
Net Reconciling Items		<u>\$ 61,352</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		<u>\$ 78,947</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances		<u>\$ 440,126</u>	
Ending balances		<u><u>\$ 519,071</u></u>	

The accompanying notes are an integral part of the financial statements.

1999		
Budget	Actual	Variance Favorable (Unfavorable)
	\$ 62,311	
	(29,463)	
	\$ 32,848	
	\$ (142,410)	
	\$ 582,536	
	\$ 440,126	

## Notes to the Financial Statements

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

These financial statements report the financial activity of transportation related funds administered by the Michigan Department of Transportation (MDOT). Accordingly, these financial statements are not intended to present fairly the financial position and results of operations of the State of Michigan or its special revenue, debt service, expendable trust, or agency funds. MDOT-administered funds by classification are:

#### Special Revenue Funds

State Aeronautics Fund

State Trunkline Fund

Michigan Transportation Fund

Comprehensive Transportation Fund

Combined State Trunkline Fund Bond Proceeds Fund

Combined Comprehensive Transportation Bond Proceeds Fund

#### Debt Service Funds

Combined State Trunkline Bond and Interest Redemption Fund

Combined Comprehensive Transportation Bond and Interest  
Redemption Fund

#### Expendable Trust Fund

Transportation Related Trust Fund

#### Agency Fund

Metropolitan Planning Fund

The Metropolitan Planning Fund was closed to the Transportation Related Trust Fund at the end of fiscal year 1999-2000. Changes in the financial activities of the Metropolitan Planning Fund subsequently changed MDOT's role from a custodial agent to a trustee.

These funds are a part of the State of Michigan reporting entity and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. The *SOMCAFR* provides general disclosures regarding Summary of Significant Accounting Policies, Treasurer's Common Cash, Pension Benefits and Other Postemployment Benefits, Compensated Absences (annual leave and sick leave accumulations), General Long-Term Obligations, Interfund Receivables and Payables, and Contingencies and Commitments.

On September 1, 2000, the International Bridge Authority paid off the 40-year bonds that financed the construction of the International Bridge at Sault St. Marie, Michigan. As a result, the International Bridge Authority has been dissolved, and MDOT and the St. Mary's River Bridge Company (SMRBC) of Canada will share ownership of the International Bridge. A 40-year intergovernmental agreement between MDOT and SMRBC went into effect on September 1, 2000. This agreement formed the Joint International Bridge Authority (JIBA) and the International Bridge Administration (IBA). JIBA is a nonprofit organization that will have six members. The Governor of Michigan will select three members and three members will be selected by SMRBC, which is controlled by the Minister of Transport. IBA is made up of MDOT employees who will be responsible for the administration, operation, repair, and improvement of the International Bridge. Revenue from bridge tolls will cover the expenses of IBA. Neither owner is required to provide financial support for the bridge.

Summary financial information for the International Bridge Authority as of its fiscal year ended August 31, 2000, with comparative information for the fiscal year ended August 31, 1999, follows (in thousands):

	As of August 31	
	2000	1999
Assets	\$ 4,093	\$ 4,751
Liabilities	\$ 1,675	\$ 1,267
Total Equity	\$ 2,418*	\$ 3,484
Total Revenues and Other Sources	\$ 7,996	\$ 8,176
Total Expenditures and Other Uses	\$ 9,019	\$ 8,582
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,023)	\$ (406)
Fixed Assets (cost)	\$ 5,162	\$ 4,917
Long-Term Debt (Bonds Payable)		\$ 2,805
Long-Term Debt (Accrued Compensated Absences)	\$ 310	\$ 320

\* Total Equity includes an adjustment for approximately \$43,000 for prior period expenditures related to service fees for State of Michigan payroll processing.

The Mackinac Bridge Authority, a component unit of the State of Michigan, is reported in the *SOMCAFR* and is not reported in these financial statements. The Mackinac Bridge Authority separately issues its own audited financial statements. These statements may be obtained by directly contacting the Mackinac Bridge Authority at (906) 643-7600.

Further information regarding the relationship between MDOT and the Mackinac Bridge Authority is provided in Note 9 of this report.

b. Basis of Presentation

The financial transactions of MDOT are recorded in individual funds in the State's central accounting system. The various transportation funds are combined in the *SOMCAFR* into fund types described as follows:

Governmental Fund Types

Special Revenue Funds: This fund group includes operating funds that account for the proceeds of certain specific revenue sources, which are legally restricted for specified purposes.

Debt Service Funds: This fund group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

#### Fiduciary Fund Types

Trust and Agency Funds: This fund group includes assets held by MDOT in a trustee or agency capacity. MDOT uses two types: (a) expendable trust funds, which are accounted for similar to governmental funds; and (b) agency funds, which are purely custodial in nature and for which asset and liability balances, but not operating results, are included within these financial statements.

#### Account Groups

General Fixed Assets Group: This account group is used to account for fixed assets (i.e., land, buildings, and equipment) owned by MDOT. Infrastructure ("public domain") fixed assets, such as undeveloped State-owned lands, roads, and bridges, are not capitalized.

General Long-Term Obligations Group: This account group accounts for all of the long-term obligations of MDOT, except for those accounted for directly in a fund.

#### Totals (Memorandum Only)

Amounts in the "Totals (Memorandum Only)" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include interfund transactions that have not been eliminated and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation.

c. Basis of Accounting

The financial statements contained in this report are prepared on the modified accrual basis of accounting. The modified accrual basis of

accounting, fiscal year-ends, and accounting practices are explained in more detail in the *SOMCAFR*.

d. Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 2000 and September 30, 1999 follows (in thousands):

	As of September 30	
	2000	1999
Reserves:		
Capital Outlay:		
Facilities	\$ 32,932	\$ 32,768
Institutional roads	1,079	1,423
Critical bridge		747
Road and bridge	41,211	104,598
Total Capital Outlay Reserves	<u>\$ 75,222</u>	<u>\$ 139,537</u>
Encumbrances	<u>\$ 23,317</u>	<u>\$ 19,570</u>
Restricted revenue	\$ 210,312	\$ 83,248
Work projects	<u>\$ 6,507</u>	<u>\$ 1,004</u>
Revolving Loan Program	<u>\$ 13,987</u>	<u>\$ 10,356</u>
Construction and debt service	<u>\$ 35,901</u>	<u>\$ 35,905</u>
Noncurrent Assets:		
Capital equipment loans	\$ 16,319	\$ 15,140
Maintenance advances	7,645	10,044
Local unit loans		236
Total Noncurrent Assets	<u>\$ 23,964</u>	<u>\$ 25,420</u>
Total Reserved Fund Balance	<u><u>\$ 389,209</u></u>	<u><u>\$ 315,039</u></u>

Note 2 Budgeting and Budgetary Control

The *SOMCAFR* provides disclosures regarding budgetary control. The budget column of the budget and actual statement represents legislative authorization after adjustments for carry-overs, transfers, and restricted revenue shortfalls. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority, which carry over as a reservation of fund balance and/or general purpose revenue exceeding estimates. "Unfavorable variances" reflect either general purpose revenue estimate shortfalls or budgetary overdrafts. If both favorable and

unfavorable variances exist for a particular line, the amount shown is the net variance.

In fiscal years 1999-2000 and 1998-99, amounts were appropriated in the Blue Water Bridge Fund for operational costs and for partial repayment of the loan due to the State Trunkline Fund. A \$2.5 million repayment of the loan was made in fiscal year 1999-2000. A \$3.7 million repayment of the loan was made in fiscal year 1998-99. The repayment reduced amounts due to other funds. No expenditures were incurred and the related appropriation lapsed.

### Note 3 Current Receivables

#### a. Contested and Delinquent Receivables

Current receivables recorded in the financial statements represent amounts due to MDOT as of September 30, 2000 and September 30, 1999 and will be collected within 12 months. Receivables not due for collection within 12 months are classified as long-term assets with an offsetting deferred revenue or fund balance reserve. Because of the uncertainty associated with contested receivables in litigation or pending litigation and delinquent receivables referred to a third party for collection, these contested and delinquent receivables are recorded in an allowance for doubtful accounts, with the net amount reported in the financial statements (in thousands).

The following provides information regarding contested and delinquent receivables as of September 30, 2000 and September 30, 1999 (in thousands):

	Contested Receivables		Delinquent Receivables		Fund Total	
	As of September 30		As of September 30		As of September 30	
	2000	1999	2000	1999	2000	1999
State Aeronautics Fund	\$ 6,480	\$ 450	\$	\$	\$ 6,480	\$ 450
State Trunkline Fund	43	154	3,025	1,099	3,068	1,253
Comprehensive Transportation Fund	3,000	3,000	700	964	3,700	3,964
Combined State Trunkline Fund Bond Proceeds Fund			4		4	
Transportation Related Trust Fund			24	5	24	5
Total Allowance for Doubtful Accounts	<u>\$ 9,523</u>	<u>\$ 3,604</u>	<u>\$ 3,753</u>	<u>\$ 2,068</u>	<u>\$13,276</u>	<u>\$ 5,672</u>

b. Taxes Receivable

The net receivable for motor fuel taxes in the Michigan Transportation Fund consisted of gross receivables of \$186.4 million and \$162.5 million and allowances for uncollectible receivables of \$85.4 million and \$60.0 million as of September 30, 2000 and September 30, 1999, respectively. The reporting of a gross receivable net of a related allowance for uncollectible accounts is consistent with the treatment of other taxes receivable reported in the *SOMCAFR*.

c. Federal Highway Administration (FHWA) Receivable

MDOT recorded federal aid receivables in the State Trunkline Fund, Combined State Trunkline Fund Bond Proceeds Fund, Transportation Related Trust Fund, and Metropolitan Planning Fund totaling \$132.5 million and \$105.1 million for the fiscal years ended September 30, 2000 and September 30, 1999, respectively. Of those amounts, \$66.9 million and \$42.0 million, respectively, were recorded from the "To-Be-Billed Summary." The "To-Be-Billed Summary" consists primarily of project costs that exceeded the contract amounts agreed to by FHWA and represent federal funds earned by MDOT but not requested for reimbursement. Consistent with past practices, contract amounts will be increased as federal aid becomes available. No long-term federal aid receivables were recorded for the fiscal year ended September 30, 2000.

d. Advanced Construction

Under an arrangement with FHWA, MDOT has, over a period of years, qualified a number of construction projects without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of MDOT, provided that there are adequate federal aid allocations. The arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period in case a relatively greater amount of federal aid became available at some later date or to assist in balancing the federal aid from year to year. At the end of fiscal year 1998-99, MDOT had \$210.2 million of State Trunkline Fund expenditures on projects not under a reimbursement agreement. The fiscal year 1998-99 expenditures were placed under a reimbursement agreement by the end of fiscal year 1999-2000. At the end of fiscal year 1999-2000, MDOT had \$119.5 million of State Trunkline

Fund expenditures on projects not placed under a reimbursement agreement. MDOT expects to place these fiscal year 1999-2000 expenditures under a reimbursement agreement in fiscal year 2000-01. During both fiscal years 1999-2000 and 1998-99, MDOT obligated all of its federal aid.

Note 4 General Long-Term Obligations

a. Bonded Debt

Revenue Dedicated Debt: MDOT has periodically issued long-term bonds for specific purposes with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State of Michigan's general credit does not support such issues. Act 51, P.A. 1951, as amended, provides that money deposited in the State Trunkline Fund and/or the Comprehensive Transportation Fund is appropriated for specific purposes in order of priority. A sufficient portion of the State Trunkline Fund and the Comprehensive Transportation Fund is irrevocably appropriated to pay, when due, the principal of and interest outstanding on bonds and notes. The State Trunkline Series 1989 A and the State Trunkline Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$35.7 million and \$97.7 million, respectively. These bonds are recorded in the amounts of \$23.3 million and \$57.4 million, respectively, which are the accreted values at September 30, 2000. These bonds mature in the years 2004 to 2009 and 2005 to 2012, respectively.

Revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30, 2000 and September 30, 1999 (in thousands) are as follows:

Revenue Dedicated Debt (in thousands)						
	Amounts Issued	Outstanding at September 30		Maturities		Average Interest Rate
		2000	1999	First	Last	
				Year	Year	
<u>Comprehensive Transportation Fund Bonds :</u>						
1985 (Series B Refunding)	\$ 57,831	\$	\$ 1,572	1985	2000	8.53%
1992 (Series A and B)	164,965	142,410	150,230	1996	2022	5.96%
1996 (Series A Refunding)	22,650	22,435	22,510	1998	2014	5.42%
1998 (Series A Refunding)	38,640	38,640	38,640	2004	2010	4.66%
<u>State Trunkline Fund Bonds :</u>						
1989 (Series A)	135,779	23,305	21,772	1994	2017	6.97%
1992 (Series A and B)	353,210	178,559	184,558	1999	2021	6.16%
1994 (Series A and B)	240,990	42,345	49,865	1994	2007	5.53%
1996 (Series A)	54,500	11,120	11,905	1997	2009	5.71%
1998 (Series A Refunding)	377,890	377,890	377,890	2005	2026	5.09%
Total Revenue Dedicated Debt	<u>\$1,446,455</u>	<u>\$ 836,704</u>	<u>\$ 858,941</u>			

Advance Refunding and Defeasance: MDOT has issued refunding bond issues to refinance the advance refunding of selected bond issues. A portion of the proceeds of the refunding issues was placed in trust and used to purchase securities of the U.S. government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by a trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements, as MDOT defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

The following table summarizes the defeased bonds outstanding at September 30, 2000 and September 30, 1999:

Summary of Refunding Transactions  
(in millions)

		Balance With Trustee At September 30	
	Amount Refunded	2000	1999
<u>Comprehensive Transportation Fund Bonds:</u>			
1985 (Capital Appreciation Bonds)	\$ 27.2	\$	\$ 6.1
1992 (Series A)	5.3	5.1	5.1
<u>State Trunkline Fund Bonds:</u>			
1992 (Series A - Partial)	134.7	131.2	131.2
1992 (Series B - Partial)	56.8	56.8	56.8
1994 (Series A - Partial)	112.8	112.8	112.8
1996 (Series A - Partial)	41.2	41.2	41.2
Total	<u>\$ 378.0</u>	<u>\$ 347.1</u>	<u>\$ 353.2</u>

b. Other General Long-Term Obligations

Capital Leases: Capitalized lease liabilities are described in more detail in Note 5.

Compensated Absences: Compensated absences liabilities are detailed in Note 6b.

Claims and Judgments: The liability recorded for claims and judgments consists of projected amounts for highway-related negligence cases based upon historical loss ratios. MDOT continues to contest all of these claims and MDOT may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the losses exceed the projected amounts).

Changes in General Long-Term Obligations: Changes in general long-term obligations for the fiscal years ended September 30, 2000 and September 30, 1999 are summarized as follows (in thousands):

	Revenue Dedicated Debt - Oversight Entity As of September 30		Capital Lease Obligations As of September 30	
	2000	1999	2000	1999
<u>Bonds and Capital Lease Obligations:</u>				
Balance - Beginning	\$858,941	\$894,010	\$1,705	\$1,395
New bond issues/capital lease additions and adjustments			43	310
Accretion on capital appreciation bonds	3,803	3,081		
Bond principal retirements/capital lease payments and deletions	(26,040)	(38,150)		
Balance - Ending	<u>\$836,704</u>	<u>\$858,941</u>	<u>\$1,748</u>	<u>\$1,705</u>
	Claims and Judgments As of September 30		Compensated Absences Liabilities As of September 30	
	2000	1999	2000	1999
<u>Other Obligations:</u>				
Balance - Beginning	\$ 3,788	\$ 10,304	\$ 32,027	\$ 32,469
Net increase (decrease) in estimated liabilities	2,118*	(6,516)	820	(442)
Balance - Ending	<u>\$ 5,906</u>	<u>\$ 3,788</u>	<u>\$ 32,847</u>	<u>\$ 32,027</u>

\* In addition, MDOT has one additional lawsuit on appeal in the amount of \$12.7 million.

#### Note 5 Leases

MDOT leases land, office facilities, office and computer equipment, and other assets under noncancelable leasing arrangements. Most leases have cancellation clauses with 1- to 6-month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases that are in the nature of acquisitions are classified as "capital" leases; therefore, assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases, and these are treated as rent commitments rather than acquisitions.

Rental expenditures incurred under operating leases totaled \$1,302,003 and \$850,952 during fiscal years 1999-2000 and 1998-99, respectively.

Summaries of the noncancelable operating and capital lease commitments to maturity for fiscal years 1999-2000 and 1998-99 follow (in thousands):

Noncancelable Lease Commitments  
Fiscal Year 1999-2000

Fiscal Year Ended September 30	Operating Leases	Capital Leases			
		Principal	Interest	Executory Costs	Total
2001	\$ 1,127	\$ 224	\$ 177	\$ 117	\$ 518
2002	694	218	141	110	469
2003	574	186	120	97	403
2004	271	127	106	66	298
2005	156	140	93	66	298
2006 - 2012		854	226	302	1,381
Total	<u>\$ 2,821</u>	<u>\$ 1,748</u>	<u>\$ 861</u>	<u>\$ 758</u>	<u>\$ 3,367</u>

Noncancelable Lease Commitments  
Fiscal Year 1998-99

Fiscal Year Ended September 30	Operating Leases	Capital Leases			
		Principal	Interest	Executory Costs	Total
2000	\$ 850	\$ 191	\$ 256	\$ 119	\$ 567
2001	480	218	218	117	553
2002	435	213	181	110	504
2003	328	158	149	97	404
2004	72	82	128	66	276
2005 - 2012		843	433	368	1,644
Total	<u>\$ 2,165</u>	<u>\$ 1,705</u>	<u>\$ 1,365</u>	<u>\$ 877</u>	<u>\$ 3,948</u>

All of the preceding capital leases are related to governmental fund operations and the total of capital lease principal is recorded as part of the general long-term obligations account group.

The historical cost of assets acquired under capital leases included in the general fixed assets account group at September 30, 2000 and September 30, 1999 follows (in thousands):

	As of September 30	
	2000	1999
Buildings	<u>\$2,332</u>	<u>\$2,332</u>

Note 6 Employee Benefits - Retirement and Compensated Absences

a. Retirement Contributions

MDOT employees are members of the State Employees' Retirement System. Retirement contributions are transferred from MDOT's special revenue funds to the State Employees' Retirement Fund.

MDOT's retirement contributions were as follows (in thousands):

	Fiscal Year	
	1999-2000	1998-99
State Trunkline Fund	\$ 15,827	\$ 14,481
Comprehensive Transportation Fund	601	526
State Aeronautics Fund	349	322
Total MDOT Contributions	<u>\$ 16,777</u>	<u>\$ 15,329</u>

b. Compensated Absences

MDOT has accrued liabilities for compensated absences as required by the Governmental Accounting Standards Board. Liabilities related to governmental fund types are recorded in the general long-term obligations account group in the *SOMCAFR*, unless the liability is "due and payable" (i.e., liabilities are recognized in the year that the employee leaves the State service) at year-end. The amount "due and payable" is reflected in the "Accounts payable" line of the balance sheet.

The following table summarizes MDOT related compensated absences liabilities as of September 30, 2000 and September 30, 1999 (in thousands):

	Sick Leave		Annual Leave		Total	
	As of September 30		As of September 30		As of September 30	
	2000	1999	2000	1999	2000	1999
State Trunkline Fund	\$16,925	\$16,911	\$13,590	\$12,886	\$30,515	\$29,797
Comprehensive Transportation Fund	735	735	541	501	1,275	1,236
State Aeronautics Fund	546	523	347	324	893	847
Blue Water Bridge Fund	82	77	82	70	164	147
Total	\$18,288	\$18,247	\$14,560	\$13,781	\$32,847	\$32,027

If an MDOT employee transfers to another department, the related compensated absence liability is assumed by the employee's new department.

For a more detailed explanation of retirement benefits and compensated absence accruals, refer to the *SOMCAFR*.

#### Note 7 General Fixed Assets

Classification: The following tables summarize, by major class of asset, the fiscal year 1999-2000 and 1998-99 changes in recorded costs for the general fixed assets account group (in millions):

#### Changes in General Fixed Assets Fiscal Year 1999-2000

	Balance October 1, 1999	Additions	Deletions	Adjustments	Balance September 30, 2000
Land	\$ 10.3	\$	\$	\$ .5	\$ 10.8
Buildings	91.1	4.2		2.0	97.3
Equipment	101.9	15.8	15.5	5.0	107.2
Construction in progress	0				0
Equity interest in joint ventures	5.4		5.4		0
Total General Fixed Assets	\$ 208.7	\$ 20.0	\$ 20.9	\$ 7.5	\$ 215.3

Changes in General Fixed Assets  
Fiscal Year 1998-99

	Balance October 1, 1998	Additions	Deletions	Adjustments	Balance September 30, 1999
Land	\$ 9.4	\$	\$	\$ .9	\$ 10.3
Buildings	88.1	.8		2.2	91.1
Equipment	100.7	16.4	14.9	(.3)	101.9
Construction in progress	0				0
Equity interest in joint ventures	5.2			.2	5.4
Total General Fixed Assets	<u>\$ 203.4</u>	<u>\$ 17.2</u>	<u>\$ 14.9</u>	<u>\$ 3.0</u>	<u>\$ 208.7</u>

Funding Source: Following is a summary of funding sources for investment in general fixed assets as of September 30, 2000 and September 30, 1999 (in millions):

	Investment As of September 30	
	2000	1999
State Trunkline Fund	\$183.7	\$184.1
Comprehensive Transportation Fund	17.8	11.0
State Aeronautics Fund	13.8	13.6
Total Investment in General Fixed Assets	<u>\$215.3</u>	<u>\$208.7</u>

Construction in Progress: Following is summary information regarding projects included in construction in progress as of September 30, 2000 and September 30, 1999 (in millions):

	Estimated Cost	As of September 30, 2000	
		Authorized	Expended
Various Projects	\$ 5.2	\$ 5.2	
Totals	\$ 5.2	\$ 5.2	\$ 0

	Estimated Cost	As of September 30, 1999	
		Authorized	Expended
Various Projects	\$ 8.0	\$ 5.9	\$
Totals	\$ 8.0	\$ 5.9	\$ 0

In addition to the preceding projects, MDOT has planned other construction projects that were unfunded as of September 30, 2000 and September 30, 1999.

The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

**Note 8** Excess of Expenditures Over Appropriation

Budgetary control for State Trunkline Fund, State Aeronautics Fund, Michigan Transportation Fund, and Comprehensive Transportation Fund expenditures is established by line-item appropriation within each fund's total appropriation.

MDOT incurred no overexpenditures in fiscal year 1999-2000 or in fiscal year 1998-99.

**Note 9** Interfund Commitments, Receivables and Payables - State Trunkline Fund and Michigan Transportation Fund

The Mackinac Bridge Authority, which is reported as a governmental component unit in the *SOMCAFR*, has over the years received \$75.3 million of subsidies for operations (\$12.3 million) and debt service (\$63.0 million). These

subsidies were provided by the State Trunkline Fund and the Michigan Transportation Fund, respectively, both of which are special revenue funds. The Authority redeemed its remaining bonds on July 1, 1986.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State Trunkline Fund and the Michigan Transportation Fund for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. Executive Order No. 1986-14 created the Governor's Mackinac Bridge Task Force to develop an advisory proposal concerning reimbursement of the subsidies, future funding of repair and renovation costs, and the bridge toll structure. The Authority has not recorded a liability, and the State funds have not recorded receivables for these subsidies, because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by the Authority after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

The Authority repaid \$7.5 million in fiscal year 1992-93, \$1.0 million in fiscal year 1994-95, \$250,000 in fiscal year 1997-98, \$250,000 in fiscal year 1998-99, and \$250,000 in fiscal year 1999-2000 to the Michigan Transportation Fund. At September 30, 2000, a balance of \$53.8 million was owed to the Michigan Transportation Fund and a balance of \$12.3 million was owed to the State Trunkline Fund.

For the fiscal year ended September 30, 2000, *SOMCAFR* reported transactions with component units, including the Mackinac Bridge Authority, separately from other funds. A receivable for \$911,000 and \$1,269,000 for fiscal years 1999-2000 and 1998-99, respectively, related to the Mackinac Bridge Authority's payroll transactions is recorded in the State Trunkline Fund's balance sheet as amounts due from component units. The amount due from the Mackinac Bridge Authority and other transactions between MDOT and

component units and other funds of the State of Michigan are shown in the following table (in thousands):

	State Trunkline Fund As of and for the Fiscal Year Ended September 30		Michigan Transportation Fund As of and for the Fiscal Year Ended September 30	
	2000	1999	2000	1999
Current Assets:				
Amounts due from other funds	\$ 37,313	\$ 48,976	\$	\$
Amounts due from component units	911	1,269		
Total	<u>\$ 38,224</u>	<u>\$ 50,245</u>	<u>\$ 0</u>	<u>\$ 0</u>
Noncurrent Assets:				
Advances to other funds	\$	\$	\$	\$
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Current Liabilities:				
Due to other funds	\$ 1,075	\$ 909	\$ 47,916	\$ 62,894
Total	<u>\$ 1,075</u>	<u>\$ 909</u>	<u>\$ 47,916</u>	<u>\$ 62,894</u>
Long-Term Liabilities:				
Advances from other funds	\$	\$	\$	\$
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources:				
Transfers from other funds	\$ 856,510	\$ 738,555	\$ 2,307	\$ 322
Transfers from component units			250	250
Capital lease acquisitions		755		
Total Other Financing Sources	<u>\$ 856,510</u>	<u>\$ 739,310</u>	<u>\$ 2,557</u>	<u>\$ 572</u>
Other Financing Uses:				
Transfers to other funds	\$ 12,962	\$ 9,245	\$ 990,857	\$ 965,167
Debt service	47,209	57,751		
Total Other Financing Uses	<u>\$ 60,171</u>	<u>\$ 66,996</u>	<u>\$ 990,857</u>	<u>\$ 965,167</u>

#### Note 10 Contingencies and Commitments

##### a. Litigation

MDOT is party to various legal proceedings seeking damages and other relief, including injunctive or mandatory relief. The ultimate disposition of such legal proceedings is not presently determinable, but such ultimate disposition and consequences of all these legal proceedings will not

themselves, in the opinion of the State of Michigan's Attorney General, have a materially adverse effect on MDOT's financial position.

MDOT accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to preparation of these statements, the obligation is recorded as a general long-term liability (see Note 4 for more information).

b. Federal Grants

Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. As of September 30, 2000 and September 30, 1999, MDOT estimates disallowances of recognized revenues will not be material to the financial statements.

c. Construction Projects

MDOT has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 2000 and September 30, 1999, the balances remaining on these contracts equaled \$500.2 million and \$544.4 million, respectively. As of September 30, 2000 and September 30, 1999, the balances remaining on these contracts, less the trust fund, equaled \$423.6 million and \$455.2 million, respectively. As of September 30, 2000 and September 30, 1999, the balances remaining on these contracts in the State Trunkline Fund equaled \$390.2 million and \$422.9 million, respectively.

Note 11 Restatements

Fiscal year 1998-99 expenditures and operating transfers from other funds have been restated to more accurately reflect General Fund transfers to the State Aeronautics Fund. In addition, amounts reserved for revolving loans and noncurrent assets within the State Trunkline Fund, Comprehensive Transportation Fund, and State Aeronautics Fund have been restated. MDOT received a waiver from the Office of Financial Management, Department of Management and Budget, granting permission to deviate from the amounts presented in the *SOMCAFR* for the fiscal year ended September 30, 1999.

# SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES

## Descriptions of Special Revenue Funds

### **MICHIGAN TRANSPORTATION FUND**

This Fund, established by Section 10, Act 51, P.A. 1951, as amended, is administered jointly by the Michigan Department of Transportation and the Department of State. In addition, some of the Fund revenue is collected by the Department of Treasury. The Fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, Economic Development Fund (a subfund of the State Trunkline Fund), and the Recreation Improvement Fund (a subfund within the General Fund at the Department of Natural Resources) in accordance with statutory formulas. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulas.

### **STATE TRUNKLINE FUND**

This Fund provides for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the State Transportation Commission has significant discretion in determining the funding of individual projects. Major financing sources are transfers from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any unencumbered balance at fiscal year-end is transferred to the road and bridge construction account of the Fund.

In fiscal year 1998-99, the Fund was also used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans. During fiscal year 1998-99, all loans to locals for reconstructing and resurfacing roadways were repaid with no balance remaining at September 30, 1999.

In fiscal year 1987-88, the Economic Development Fund (EDF), a subfund, was created within the State Trunkline Fund. The statements for the State Trunkline Fund include

the financial activity for EDF. A separate schedule summarizing EDF activity is also included as a supplemental schedule in this report.

The Blue Water Bridge Fund (BWBF) was created as a subfund of the State Trunkline Fund during fiscal year 1993-94 to account for the Blue Water Bridge Project. Through provisions of Section 1012 in the federal Intermodal Surface Transportation Efficiency Act of 1991, the State Trunkline Fund received federal funds to be loaned to BWBF for construction of the Blue Water Bridge Project. Repayment of the \$45 million loan began in 1998. Repayments of the loan are expected to occur each fiscal year. The term of the loan will not exceed 30 years from the time the loan was obligated. A separate schedule summarizing BWBF activity is also included as a supplemental schedule in this report.

### **COMPREHENSIVE TRANSPORTATION FUND**

This Fund was created for the purpose of planning, developing, and funding public transportation systems within the State. It was created by Acts 326, 327, and 328, P.A. 1972, and Act 197, P.A. 1973. In 1975, Acts 195, 196, and 239 were enacted, providing further additions and amendments to the laws governing this Fund. Fund revenues consist primarily of federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the Fund for appropriation in the following fiscal year.

### **STATE AERONAUTICS FUND**

This Fund, established by Act 327, P.A. 1945, administers development and capital improvement projects for local airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the Fund for appropriation in the following fiscal year.

### **COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND**

This Fund was established pursuant to Section 18(b), Act 51, P.A. 1951, as amended, to account for the proceeds of State trunkline revenue dedicated bonds. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system.

**COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND**

This Fund was established pursuant to Section 18(b), Act 51, P.A. 1951, as amended, to account for the proceeds of comprehensive transportation revenue dedicated bonds.

These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

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**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Combining Balance Sheet - Special Revenue Funds  
As of September 30  
(In Thousands)

	Michigan Transportation Fund		State Trunkline Fund		Comprehensive Transportation Fund	
	2000	1999	2000	1999	2000	1999
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$	\$	\$ 176	\$ 36	\$	\$
Equity in Common Cash	177,929	197,470	383,228	306,517	82,727	63,506
Receivables:						
Taxes, interest, and penalties (at net)	96,754	99,061				
Federal aid			106,424	74,035	6,502	7,160
Local units			17,150	18,281	238	129
Other funds and components units			43,224	53,045	10,603	13,918
Miscellaneous	4,176	3,512	11,064	5,255	837	281
Inventories			6,951	8,568		
Total Current Assets	<u>\$ 278,859</u>	<u>\$ 300,044</u>	<u>\$ 568,217</u>	<u>\$ 465,737</u>	<u>\$ 100,907</u>	<u>\$ 84,994</u>
Noncurrent Assets:						
Receivables:						
Taxes	\$ 1,562	\$ 753	\$	\$	\$	\$
Federal aid						
Local units			31,084	31,366	1,997	1,921
Advances to other funds			28,942	33,642		
Land contracts			3,776	3,653		
Miscellaneous					1,609	1,440
Total Noncurrent Assets	<u>\$ 1,562</u>	<u>\$ 753</u>	<u>\$ 63,802</u>	<u>\$ 68,661</u>	<u>\$ 3,606</u>	<u>\$ 3,361</u>
Total Assets	<u>\$ 280,421</u>	<u>\$ 300,796</u>	<u>\$ 632,019</u>	<u>\$ 534,398</u>	<u>\$ 104,513</u>	<u>\$ 88,355</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current Liabilities:						
Warrants outstanding	\$ 1,183	\$ 1,503	\$ 19,895	\$ 19,678	\$ 555	\$ 1,508
Accounts payable	226,971	235,647	157,563	134,712	16,302	7,721
Contract reserve payable			10,319	8,892	36	68
Due to other funds and component units	47,916	62,894	6,075	3,709	33	29
Deposits, permits, and other liabilities			1,987	1,602	1,242	790
Deferred revenue	2,789		3,502	3,571	69	
Total Current Liabilities	<u>\$ 278,859</u>	<u>\$ 300,044</u>	<u>\$ 199,341</u>	<u>\$ 172,164</u>	<u>\$ 18,238</u>	<u>\$ 10,116</u>
Long-Term Liabilities:						
Deferred revenue	\$ 1,562	\$ 753	\$ 14,527	\$ 13,553	\$ 1,609	\$ 1,235
Advances from other funds			28,942	33,642		
Total Liabilities	<u>\$ 280,421</u>	<u>\$ 300,796</u>	<u>\$ 242,810</u>	<u>\$ 219,359</u>	<u>\$ 19,847</u>	<u>\$ 11,351</u>
Fund Balances:						
Reserved for encumbrances	\$	\$	\$ 23,317	\$ 19,570	\$ 43,132	\$ 41,136
Reserved for unencumbered restricted revenue balances			210,312	83,248	1,760	2,841
Reserved for unencumbered capital outlay and work projects			81,729	140,541		
Reserved for construction and debt service			35,901	35,905		
Reserved for revolving loans			13,986	10,356	12,200	9,583
Reserved for noncurrent assets			23,964	25,420		94
Total Reserved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389,209</u>	<u>\$ 315,039</u>	<u>\$ 57,092</u>	<u>\$ 53,654</u>
Unreserved	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 27,575</u>	<u>\$ 23,350</u>
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389,209</u>	<u>\$ 315,039</u>	<u>\$ 84,667</u>	<u>\$ 77,004</u>
Total Liabilities and Fund Balances	<u>\$ 280,421</u>	<u>\$ 300,796</u>	<u>\$ 632,019</u>	<u>\$ 534,398</u>	<u>\$ 104,513</u>	<u>\$ 88,355</u>

State Aeronautics Fund		Combined State Trunkline Fund Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Totals	
2000	1999	2000	1999	2000	1999	2000	1999
\$ 13,938	\$ 15,656	\$ 19,966	\$ 15,283	\$ 11,696	\$ 12,120	\$ 176	\$ 36
759	805					689,483	610,553
27,636	1,141	2,262	14,285			97,513	99,866
3,171	3,432	326	534			142,824	96,621
						20,885	22,376
						53,827	66,963
89	38	264	271			16,430	9,358
						6,951	8,568
<u>\$ 45,593</u>	<u>\$ 21,073</u>	<u>\$ 22,819</u>	<u>\$ 30,373</u>	<u>\$ 11,696</u>	<u>\$ 12,120</u>	<u>\$ 1,028,091</u>	<u>\$ 914,340</u>
\$ 129	\$ 449	\$	\$	\$	\$	\$ 1,691	\$ 753
1,352	964					1,352	449
839						33,920	34,251
						28,942	33,642
						3,776	3,653
						1,609	1,440
<u>\$ 2,320</u>	<u>\$ 1,413</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,290</u>	<u>\$ 74,188</u>
<u>\$ 47,913</u>	<u>\$ 22,485</u>	<u>\$ 22,819</u>	<u>\$ 30,373</u>	<u>\$ 11,696</u>	<u>\$ 12,120</u>	<u>\$ 1,099,381</u>	<u>\$ 988,528</u>
\$ 411	\$ 222	\$ 571	\$ 687	\$	\$	\$ 22,615	\$ 23,598
26,824	6,537	3,109	4,447	1	139	430,770	389,203
840	694	1,229	1,103		3	12,424	10,760
21	18					54,045	66,649
						3,229	2,392
3,698	2,647	397	397			10,455	6,615
<u>\$ 31,794</u>	<u>\$ 10,118</u>	<u>\$ 5,306</u>	<u>\$ 6,634</u>	<u>\$ 1</u>	<u>\$ 143</u>	<u>\$ 533,539</u>	<u>\$ 499,219</u>
\$ 129	\$	\$	\$	\$	\$	\$ 17,827	\$ 15,541
						28,942	33,642
<u>\$ 31,924</u>	<u>\$ 10,119</u>	<u>\$ 5,306</u>	<u>\$ 6,634</u>	<u>\$ 1</u>	<u>\$ 143</u>	<u>\$ 580,309</u>	<u>\$ 548,402</u>
\$ 1,412	\$ 1,605	\$	\$	\$	\$	\$ 67,862	\$ 62,311
150	300					212,221	86,388
10,875	8,031					92,604	148,572
						35,901	35,905
2,200	1,981					28,387	21,919
1,352	449					25,315	25,963
<u>\$ 15,989</u>	<u>\$ 12,366</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 462,290</u>	<u>\$ 381,058</u>
<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 17,512</u>	<u>\$ 23,739</u>	<u>\$ 11,694</u>	<u>\$ 11,978</u>	<u>\$ 56,783</u>	<u>\$ 59,067</u>
<u>\$ 15,990</u>	<u>\$ 12,367</u>	<u>\$ 17,512</u>	<u>\$ 23,739</u>	<u>\$ 11,694</u>	<u>\$ 11,978</u>	<u>\$ 519,072</u>	<u>\$ 440,126</u>
<u>\$ 47,913</u>	<u>\$ 22,485</u>	<u>\$ 22,819</u>	<u>\$ 30,373</u>	<u>\$ 11,696</u>	<u>\$ 12,120</u>	<u>\$ 1,099,381</u>	<u>\$ 988,528</u>

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Special Revenue Funds  
Fiscal Years Ended September 30  
(In Thousands)

	Michigan Transportation Fund		State Trunkline Fund		Comprehensive Transportation Fund	
	2000	1999	2000	1999	2000	1999
<b>REVENUES</b>						
Taxes	\$ 1,821,564	\$ 1,776,210	\$	\$	\$ 69,699	\$ 63,241
Licenses and permits	55,171	56,971	20,357	18,553	268	218
Federal aid			696,174	523,295	18,006	18,578
Local participation			32,520	43,302	295	81
Interest earnings	13,271	11,024	16,985	15,605	2,005	1,365
Nonoperating revenue - bridges			2,389	2,400		
Miscellaneous	8	51	29,649	27,560	1,322	6,226
Total Revenues	<u>\$ 1,890,014</u>	<u>\$ 1,844,257</u>	<u>\$ 798,074</u>	<u>\$ 630,714</u>	<u>\$ 91,595</u>	<u>\$ 89,709</u>
<b>EXPENDITURES</b>						
Administration and Operations:						
Administration and maintenance	\$ 28	\$ 55	\$ 330,898	\$ 316,319	\$ 9,811	\$ 10,872
Bus operating assistance grants					159,320	161,628
Other grants	901,684	879,607	119,277	130,775	49,025	42,342
Airport development						
Nonoperating expenditures - bridges			2,367	2,400		
Capital lease payments			413	405		
Total Administration and Operations	<u>\$ 901,713</u>	<u>\$ 879,662</u>	<u>\$ 452,955</u>	<u>\$ 449,899</u>	<u>\$ 218,156</u>	<u>\$ 214,842</u>
Capital Outlay:						
Roads and bridges	\$	\$	\$ 1,055,148	\$ 935,862	\$	\$
Other capital outlay			12,139	24,541		
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,067,288</u>	<u>\$ 960,403</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 901,713</u>	<u>\$ 879,662</u>	<u>\$ 1,520,242</u>	<u>\$ 1,410,302</u>	<u>\$ 218,156</u>	<u>\$ 214,842</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 988,301</u>	<u>\$ 964,595</u>	<u>\$ (722,168)</u>	<u>\$ (779,587)</u>	<u>\$ (126,561)</u>	<u>\$ (125,133)</u>
<b>OTHER FINANCING SOURCES</b>						
Michigan Transportation Fund distribution	\$	\$	\$ 627,699	\$ 612,708	\$ 156,854	\$ 153,047
Grants and transfers from other funds and component units	2,557	572	237,411	132,747	1,198	1,234
Capital lease acquisitions				755		
Total Other Financing Sources	<u>\$ 2,557</u>	<u>\$ 572</u>	<u>\$ 865,110</u>	<u>\$ 746,210</u>	<u>\$ 158,052</u>	<u>\$ 154,281</u>
<b>OTHER FINANCING USES</b>						
Michigan Transportation Fund distribution	\$ 784,553	\$ 765,755	\$	\$	\$	\$
Grants and transfers to other funds and component units	206,304	199,412	21,562	16,145	2,620	249
Debt service			47,209	57,751	21,208	21,931
Total Other Financing Uses	<u>\$ 990,858</u>	<u>\$ 965,167</u>	<u>\$ 68,771</u>	<u>\$ 73,896</u>	<u>\$ 23,828</u>	<u>\$ 22,180</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (988,301)</u>	<u>\$ (964,595)</u>	<u>\$ 796,338</u>	<u>\$ 672,314</u>	<u>\$ 134,224</u>	<u>\$ 132,102</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 74,170	\$ (107,274)	\$ 7,663	\$ 6,969
Fund balances - Beginning of fiscal year			315,039	422,313	77,004	70,035
Fund balances - End of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389,209</u>	<u>\$ 315,039</u>	<u>\$ 84,667</u>	<u>\$ 77,004</u>

State Aeronautics Fund		Combined State Trunkline Fund Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Totals	
2000	1999	2000	1999	2000	1999	2000	1999
\$ 7,732	\$ 8,390	\$	\$	\$	\$	\$ 1,898,995	\$ 1,847,841
299	253					76,095	75,995
58,508	51,100	21,109	21,161			793,797	614,134
11,159	12,731	128	488			44,102	56,602
647	681	1,227	122	730	702	34,865	29,499
						2,389	2,400
1,121	1,074	18	11		1,283	32,118	36,205
<u>\$ 79,466</u>	<u>\$ 74,229</u>	<u>\$ 22,482</u>	<u>\$ 21,781</u>	<u>\$ 730</u>	<u>\$ 1,985</u>	<u>\$ 2,882,361</u>	<u>\$ 2,662,676</u>
\$ 6,614	\$ 8,745	\$	\$	\$	\$	\$ 347,351	\$ 335,991
						159,320	161,628
				1,010	2,391	1,070,996	1,055,114
83,283	89,990					83,283	89,990
						2,367	2,400
						413	405
<u>\$ 89,897</u>	<u>\$ 98,735</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,010</u>	<u>\$ 2,391</u>	<u>\$ 1,663,730</u>	<u>\$ 1,645,528</u>
\$	\$	\$ 30,235	\$ 57,129	\$	\$	\$ 1,085,383	\$ 992,991
53	56					12,192	24,597
<u>\$ 53</u>	<u>\$ 56</u>	<u>\$ 30,235</u>	<u>\$ 57,129</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,097,576</u>	<u>\$ 1,017,588</u>
<u>\$ 89,950</u>	<u>\$ 98,790</u>	<u>\$ 30,235</u>	<u>\$ 57,129</u>	<u>\$ 1,010</u>	<u>\$ 2,391</u>	<u>\$ 2,761,307</u>	<u>\$ 2,663,116</u>
<u>\$ (10,484)</u>	<u>\$ (24,562)</u>	<u>\$ (7,753)</u>	<u>\$ (35,347)</u>	<u>\$ (280)</u>	<u>\$ (405)</u>	<u>\$ 121,054</u>	<u>\$ (440)</u>
\$	\$	\$	\$	\$	\$	\$ 784,553	\$ 765,755
14,351	12,187	3,421	6,586			258,938	153,326
						0	755
<u>\$ 14,351</u>	<u>\$ 12,187</u>	<u>\$ 3,421</u>	<u>\$ 6,586</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,043,490</u>	<u>\$ 919,836</u>
\$	\$	\$	\$	\$	\$	\$ 784,553	\$ 765,755
244	267	1,894	293	3	4	232,627	216,370
						68,417	79,682
<u>\$ 244</u>	<u>\$ 267</u>	<u>\$ 1,894</u>	<u>\$ 293</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 1,085,598</u>	<u>\$ 1,061,807</u>
<u>\$ 14,107</u>	<u>\$ 11,920</u>	<u>\$ 1,527</u>	<u>\$ 6,293</u>	<u>\$ (3)</u>	<u>\$ (4)</u>	<u>\$ (42,108)</u>	<u>\$ (141,971)</u>
\$ 3,623	\$ (12,641)	\$ (6,226)	\$ (29,054)	\$ (283)	\$ (409)	\$ 78,947	\$ (142,410)
12,367	25,008	23,739	52,793	11,978	12,387	440,126	582,536
<u>\$ 15,990</u>	<u>\$ 12,367</u>	<u>\$ 17,512</u>	<u>\$ 23,739</u>	<u>\$ 11,694</u>	<u>\$ 11,978</u>	<u>\$ 519,072</u>	<u>\$ 440,126</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Special Revenue Funds  
Fiscal Year Ended September 30, 2000  
(In Thousands)

(Statutory/Budgetary Basis)	Michigan Transportation Fund			State Trunkline Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Taxes	\$ 1,821,564	\$1,821,564	\$ 0	\$	\$	\$ 0
Licenses and permits	55,171	55,171	0	20,357	20,357	0
Federal aid				696,174	696,174	0
Local participation				32,409	32,520	111
Interest earnings	13,271	13,271	0	16,986	16,986	0
Nonoperating revenue - bridges				2,389	2,389	0
Miscellaneous	8	8	0	28,380	29,648	1,268
Total Revenues	<u>\$ 1,890,013</u>	<u>\$1,890,013</u>	<u>\$ 0</u>	<u>\$ 796,694</u>	<u>\$ 798,073</u>	<u>\$ 1,379</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>						
Administration and Operations:						
Administration and maintenance	\$	\$ 28	\$ (28)	\$ 392,945	\$ 353,892	\$ 39,053
Bus operating assistance grants						
Other grants	902,657	901,685	972	189,168	119,282	69,886
Airport development						
Nonoperating expenditures - bridges				2,389	2,367	22
Total Administration and Operations	<u>\$ 902,657</u>	<u>\$ 901,713</u>	<u>\$ 944</u>	<u>\$ 584,502</u>	<u>\$ 475,541</u>	<u>\$ 108,961</u>
Capital Outlay:						
Roads and bridges	\$	\$	\$	\$1,059,042	\$1,055,625	\$ 3,417
Other capital outlay				41,485	12,394	29,091
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,100,527</u>	<u>\$1,068,019</u>	<u>\$ 32,508</u>
Total Expenditures and Encumbrances	<u>\$ 902,657</u>	<u>\$ 901,713</u>	<u>\$ 944</u>	<u>\$1,685,029</u>	<u>\$1,543,560</u>	<u>\$ 141,469</u>
Excess of Revenues Over (Under) Expenditures and Encumbrances	<u>\$ 987,357</u>	<u>\$ 988,301</u>	<u>\$ 944</u>	<u>\$ (888,334)</u>	<u>\$ (745,486)</u>	<u>\$ 142,848</u>
<b>OTHER FINANCING SOURCES</b>						
Michigan Transportation Fund distribution	\$	\$	\$	\$ 627,699	\$ 627,699	\$ 0
Grants and transfers from other funds and component units	2,557	2,557	0	174,511	237,411	62,900
Total Other Financing Sources	<u>\$ 2,557</u>	<u>\$ 2,557</u>	<u>\$ 0</u>	<u>\$ 802,210</u>	<u>\$ 865,110</u>	<u>\$ 62,900</u>
<b>OTHER FINANCING USES</b>						
Michigan Transportation Fund distribution	\$ 785,352	\$ 784,554	\$ 798	\$	\$	\$
Grants and transfers to other funds and component units	218,907	206,304	12,603	10,163	21,562	(11,399)
Debt service				47,209	47,209	0
Total Other Financing Uses	<u>\$ 1,004,259</u>	<u>\$ 990,858</u>	<u>\$ 13,401</u>	<u>\$ 57,372</u>	<u>\$ 68,771</u>	<u>\$ (11,399)</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (1,001,702)</u>	<u>\$ (988,301)</u>	<u>\$ 13,401</u>	<u>\$ 744,838</u>	<u>\$ 796,339</u>	<u>\$ 51,501</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses	<u>\$ (14,346)</u>	<u>\$ 0</u>	<u>\$ 14,346</u>	<u>\$ (143,497)</u>	<u>\$ 50,853</u>	<u>\$ 194,350</u>
<b>RECONCILING ITEMS</b>						
Encumbrances at September 30		\$			\$ 23,317	
Funds not annually budgeted						
Net Reconciling Items		<u>\$ 0</u>			<u>\$ 23,317</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$ 0			\$ 74,170	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		0			315,039	
Ending balances		<u>\$ 0</u>			<u>\$ 389,209</u>	

Comprehensive Transportation Fund			State Aeronautics Fund			Combined State Trunkline Fund Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund	Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Actual	Budget	Actual	Variance Favorable (Unfavorable)
\$ 69,699	\$ 69,699	\$ 0	\$ 7,732	\$ 7,732	\$ 0	\$	\$	\$1,898,995	\$1,898,995	\$ 0
268	268	0	299	299	0			76,095	76,095	0
18,006	18,006	0	58,508	58,508	0			772,688	772,688	0
295	295	0	11,159	11,159	0			43,863	43,974	111
2,005	2,005	0	647	647	0			32,909	32,909	0
								2,389	2,389	0
1,238	1,322	84	1,121	1,121	0			30,747	32,099	1,352
<u>\$ 91,511</u>	<u>\$ 91,595</u>	<u>\$ 84</u>	<u>\$ 79,467</u>	<u>\$ 79,467</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,857,685</u>	<u>\$2,859,148</u>	<u>\$ 1,463</u>
\$ 11,443	\$ 10,385	\$ 1,058	\$ 7,803	\$ 6,741	\$ 1,062	\$	\$	\$ 412,191	\$ 371,046	\$ 41,145
161,526	159,362	2,164						161,526	159,362	2,164
98,178	91,542	6,636						1,190,003	1,112,509	77,494
			85,982	84,569	1,413			85,982	84,569	1,413
								2,389	2,367	22
<u>\$ 271,147</u>	<u>\$ 261,289</u>	<u>\$ 9,858</u>	<u>\$ 93,785</u>	<u>\$ 91,310</u>	<u>\$ 2,475</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,852,091</u>	<u>\$1,729,853</u>	<u>\$ 122,238</u>
\$	\$	\$	\$ 53	\$ 52	\$ 1	\$	\$	\$1,059,042	\$1,055,625	\$ 3,417
								41,538	12,446	29,092
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53</u>	<u>\$ 52</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,100,580</u>	<u>\$1,068,071</u>	<u>\$ 32,509</u>
<u>\$ 271,147</u>	<u>\$ 261,289</u>	<u>\$ 9,858</u>	<u>\$ 93,838</u>	<u>\$ 91,362</u>	<u>\$ 2,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,952,671</u>	<u>\$2,797,924</u>	<u>\$ 154,747</u>
<u>\$ (179,636)</u>	<u>\$ (169,694)</u>	<u>\$ 9,942</u>	<u>\$ (14,372)</u>	<u>\$ (11,896)</u>	<u>\$ 2,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (94,985)</u>	<u>\$ 61,225</u>	<u>\$ 156,210</u>
\$ 156,854	\$ 156,854	\$ 0	\$	\$	\$	\$	\$	\$ 784,553	\$ 784,553	\$ 0
1,198	1,198	0	14,351	14,351	0			192,617	255,517	62,900
<u>\$ 158,052</u>	<u>\$ 158,052</u>	<u>\$ 0</u>	<u>\$ 14,351</u>	<u>\$ 14,351</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 977,170</u>	<u>\$1,040,070</u>	<u>\$ 62,900</u>
\$	\$	\$	\$ 292	\$ 244	\$ 48	\$	\$	\$ 785,352	\$ 784,554	\$ 798
248	2,620	(2,372)						229,610	230,730	(1,120)
21,209	21,207	2						68,418	68,416	2
<u>\$ 21,457</u>	<u>\$ 23,827</u>	<u>\$ (2,370)</u>	<u>\$ 292</u>	<u>\$ 244</u>	<u>\$ 48</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,083,380</u>	<u>\$1,083,700</u>	<u>\$ (320)</u>
<u>\$ 136,595</u>	<u>\$ 134,225</u>	<u>\$ (2,370)</u>	<u>\$ 14,059</u>	<u>\$ 14,107</u>	<u>\$ 48</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (106,210)</u>	<u>\$ (43,630)</u>	<u>\$ 62,580</u>
<u>(43,042)</u>	<u>\$ (35,469)</u>	<u>\$ 7,572</u>	<u>\$ (313)</u>	<u>\$ 2,211</u>	<u>\$ 2,523</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (201,197)</u>	<u>\$ 17,594</u>	<u>\$ 218,791</u>
\$ 43,132			\$ 1,412			\$ (6,226)	\$ (283)	\$ 67,862		(6,510)
<u>\$ 43,132</u>			<u>\$ 1,412</u>			<u>\$ (6,226)</u>	<u>\$ (283)</u>	<u>\$ 61,352</u>		
\$ 7,663			\$ 3,623			\$ (6,226)	\$ (283)	\$ 78,947		
77,004			12,367			23,739	11,978	440,126		
<u>\$ 84,667</u>			<u>\$ 15,990</u>			<u>\$ 17,512</u>	<u>\$ 11,694</u>	<u>\$ 519,071</u>		

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Special Revenue Funds  
Fiscal Year Ended September 30, 1999  
(In Thousands)

(Statutory/Budgetary Basis)	Michigan Transportation Fund			State Trunkline Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Taxes	\$1,776,210	\$ 1,776,210	\$ 0	\$	\$	\$
Licenses and permits	56,971	56,971	0	18,553	18,553	0
Federal aid				523,295	523,295	0
Local participation				43,302	43,302	0
Interest earnings	11,024	11,024	0	15,605	15,605	0
Nonoperating revenue - bridges				2,400	2,400	0
Miscellaneous	51	51	0	27,559	27,559	0
Total Revenues	<u>\$1,844,257</u>	<u>\$ 1,844,257</u>	<u>\$ 0</u>	<u>\$ 630,715</u>	<u>\$ 630,715</u>	<u>\$ 0</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>						
Administration and Operations:						
Administration and maintenance	\$ 55	\$ 55	\$ 0	\$ 364,522	\$ 334,903	\$ 29,619
Bus operating assistance grants						
Other grants	879,608	879,607	1	187,064	130,790	56,274
Airport development						
Nonoperating expenditures - bridges				2,400	2,400	0
Total Administration and Operations	<u>\$ 879,663</u>	<u>\$ 879,662</u>	<u>\$ 1</u>	<u>\$ 553,986</u>	<u>\$ 468,093</u>	<u>\$ 85,893</u>
Capital Outlay:						
Roads and bridges	\$	\$	\$	\$ 936,702	\$ 936,149	\$ 553
Other capital outlay				41,001	24,875	\$ 16,126
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 977,703</u>	<u>\$ 961,024</u>	<u>\$ 16,679</u>
Total Expenditures and Encumbrances	<u>\$ 879,663</u>	<u>\$ 879,662</u>	<u>\$ 1</u>	<u>\$ 1,531,689</u>	<u>\$ 1,429,117</u>	<u>\$ 102,572</u>
Excess of Revenues Over (Under) Expenditures and Encumbrances	<u>\$ 964,594</u>	<u>\$ 964,595</u>	<u>\$ 1</u>	<u>\$ (900,975)</u>	<u>\$ (798,403)</u>	<u>\$ 102,572</u>
<b>OTHER FINANCING SOURCES</b>						
Michigan Transportation Fund distribution	\$	\$	\$	\$ 612,708	\$ 612,708	\$ 0
Grants and transfers from other funds and component units	572	572	0	135,624	132,747	(2,877)
Total Other Financing Sources	<u>\$ 572</u>	<u>\$ 572</u>	<u>\$ 0</u>	<u>\$ 748,333</u>	<u>\$ 745,455</u>	<u>\$ (2,878)</u>
<b>OTHER FINANCING USES</b>						
Michigan Transportation Fund distribution	\$ 765,756	\$ 765,755	\$ 1	\$	\$	\$
Grants and transfers to other funds and component units	212,028	199,412	12,616	11,372	16,145	(4,773)
Debt service				61,143	57,751	3,392
Total Other Financing Uses	<u>\$ 977,784</u>	<u>\$ 965,167</u>	<u>\$ 12,617</u>	<u>\$ 72,515</u>	<u>\$ 73,896</u>	<u>\$ (1,381)</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (977,212)</u>	<u>\$ (964,595)</u>	<u>\$ 12,617</u>	<u>\$ 675,817</u>	<u>\$ 671,559</u>	<u>\$ (4,258)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses	<u>\$ (12,618)</u>	<u>\$ 0</u>	<u>\$ 12,618</u>	<u>\$ (225,159)</u>	<u>\$ (126,844)</u>	<u>\$ 98,315</u>
<b>RECONCILING ITEMS</b>						
Encumbrances at September 30		\$			\$ 19,570	
Funds not annually budgeted						
Net Reconciling Items		<u>\$ 0</u>			<u>\$ 19,570</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$ 0			\$ (107,274)	
<b>FUND BALANCES (GAAP BASIS)</b>						
Beginning balances		<u>0</u>			<u>422,313</u>	
Ending balances		<u>\$ 0</u>			<u>\$ 315,039</u>	

Comprehensive Transportation Fund			State Aeronautics Fund			Combined State Trunkline Fund Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund	Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Actual	Budget	Actual	Variance Favorable (Unfavorable)
\$ 63,241	\$ 63,241	\$ 0	\$ 8,390	\$ 8,390	\$ 0	\$	\$	\$ 1,847,841	\$ 1,847,841	\$ 0
218	218	0	253	253	0			75,995	75,995	0
18,578	18,578	0	51,100	51,100	0			592,973	592,973	0
81	81	0	12,731	12,731	0			56,113	56,113	0
1,365	1,365	0	681	681	0			28,676	28,676	0
								2,400	2,400	0
6,226	6,226	0	1,074	1,074	0			34,911	34,911	0
\$ 89,709	\$ 89,709	\$ 0	\$ 74,229	\$ 74,229	\$ 0	\$ 0	\$ 0	\$ 2,638,909	\$ 2,638,909	\$ 0
\$ 11,587	\$ 11,331	\$ 256	\$ 10,188	\$ 8,917	\$ 1,271	\$	\$	\$ 386,353	\$ 355,206	\$ 31,147
163,362	163,285	77						163,362	163,285	77
89,570	81,361	8,209						1,156,242	1,091,760	64,482
			93,317	91,370	1,947			93,317	91,370	1,947
								2,400	2,400	0
\$ 264,519	\$ 255,977	\$ 8,542	\$ 103,505	\$ 100,287	\$ 3,218	\$ 0	\$ 0	\$ 1,801,674	\$ 1,704,021	\$ 97,653
\$	\$	\$	\$	\$	\$	\$	\$	\$ 936,702	\$ 936,149	\$ 553
			108	108	0			41,109	24,983	16,126
\$ 0	\$ 0	\$ 0	\$ 108	\$ 108	\$ 0	\$ 0	\$ 0	\$ 977,811	\$ 961,133	\$ 16,678
\$ 264,519	\$ 255,977	\$ 8,542	\$ 103,613	\$ 100,395	\$ 3,218	\$ 0	\$ 0	\$ 2,779,485	\$ 2,665,154	\$ 114,331
\$ (174,810)	\$ (166,268)	\$ 8,542	\$ (29,384)	\$ (26,166)	\$ 3,218	\$ 0	\$ 0	\$ (140,576)	\$ (26,245)	\$ 114,331
\$ 153,047	\$ 153,047	\$ 0	\$	\$	\$	\$	\$	\$ 765,755	\$ 765,755	\$ 0
1,510	1,234	(276)	12,187	12,187	0			149,893	146,740	(3,153)
\$ 154,557	\$ 154,281	\$ (276)	\$ 12,187	\$ 12,187	\$ 0	\$ 0	\$ 0	\$ 915,649	\$ 912,495	\$ (3,153)
\$	\$	\$	\$	\$	\$	\$	\$	\$ 765,756	\$ 765,755	\$ 1
300	249	51	331	267	64			224,032	216,073	7,959
21,935	21,931	4						83,079	79,682	3,397
\$ 22,235	\$ 22,180	\$ 55	\$ 331	\$ 267	\$ 64	\$ 0	\$ 0	\$ 1,072,867	\$ 1,061,510	\$ 11,357
\$ 132,322	\$ 132,101	\$ (221)	\$ 11,856	\$ 11,920	\$ 64	\$ 0	\$ 0	\$ (157,219)	\$ (149,015)	\$ 8,204
\$ (42,489)	\$ (34,167)	\$ 8,322	\$ (17,528)	\$ (14,246)	\$ 3,282	\$ 0	\$ 0	\$ (297,794)	\$ (175,257)	\$ 122,537
	\$ 41,136			\$ 1,605		\$ (29,054)	\$ (409)		\$ 62,311	
									(29,463)	
	\$ 41,136			\$ 1,605		\$ (29,054)	\$ (409)		\$ 32,848	
	\$ 6,969			\$ (12,641)		\$ (29,054)	\$ (409)		(142,410)	
	70,035			25,008		52,793	12,387		582,536	
	\$ 77,004			\$ 12,367		\$ 23,739	\$ 11,978		\$ 440,126	

## Descriptions of Debt Service Funds

### **COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND**

This Fund was established pursuant to Act 51, P.A. 1951, as amended, to account for debt service on all State Trunkline Fund related bond issues. As of October 1, 1986, the debt service funds for the outstanding bond issues were merged by equity transfer into this debt service fund. The merged funds include the 1983 State Trunkline Fund Bond and Interest Redemption Fund, the 1984 State Trunkline Fund Bond and Interest Redemption Fund, the 1986 State Trunkline Refunding Bond and Interest Redemption Fund, and the Michigan Trunkline Bond and Interest Redemption Fund, Series II through IX. All subsequent State Trunkline Fund related bond issues are accounted for in this Fund.

The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for transportation purposes by Article IX, Section 9 of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

### **COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND**

This Fund was established pursuant to Act 51, P.A. 1951, as amended, to account for debt service on all Comprehensive Transportation Fund related bond issues. As of October 1, 1986, the debt service funds for outstanding bond issues were merged by equity transfer into this debt service fund. The merged funds include the Comprehensive Transportation Bond and Interest Redemption Fund and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund. All subsequent Comprehensive Transportation Fund related bond issues are accounted for in this Fund.

The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Article IX, Section 9 of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet

Debt Service Funds

As of September 30

(In Thousands)

	Combined State Trunkline Bond and Interest Redemption Fund		Combined Comprehensive Transportation Bond and Interest Redemption Fund		Totals	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
ASSETS						
Current Assets:						
Equity in Common Cash	\$	\$	\$	\$	\$	\$
Amounts due from other funds						
Miscellaneous						
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$	\$	\$	\$	\$	\$
Accounts payable						
Amounts due to other funds						
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Debt Service Funds  
Fiscal Years Ended September 30  
(In Thousands)

	Combined State Trunkline Bond and Interest Redemption Fund		Combined Comprehensive Transportation Bond and Interest Redemption Fund		Totals	
	2000	1999	2000	1999	2000	1999
REVENUES						
Interest earnings	\$	\$	\$ 1	\$ 1	\$ 1	\$ 1
Total Revenues	\$ 0	\$ 0	\$ 1	\$ 1	\$ 1	\$ 1
EXPENDITURES						
Bond principal retirement	\$ 17,745	\$ 30,110	\$ 8,295	\$ 8,040	\$ 26,040	\$ 38,150
Bond interest and fiscal charges	29,464	27,641	12,913	13,891	42,377	41,532
Total Expenditures	\$ 47,209	\$ 57,751	\$ 21,208	\$ 21,931	\$ 68,417	\$ 79,682
Excess of Revenues Over (Under) Expenditures	\$ (47,209)	\$ (57,751)	\$ (21,207)	\$ (21,930)	\$ (68,416)	\$ (79,681)
OTHER FINANCING SOURCES						
Transfer from State Trunkline Fund	\$ 47,209	\$ 57,751	\$	\$	\$ 47,209	\$ 57,751
Transfer from Comprehensive Transportation Fund			21,208	21,931	21,208	21,931
Proceeds from refunding bond issues						
Total Other Financing Sources	\$ 47,209	\$ 57,751	\$ 21,208	\$ 21,931	\$ 68,417	\$ 79,682
OTHER FINANCING USES						
Grants and transfers to other funds and component units	\$	\$	\$ 1	\$ 1	\$ 1	\$ 1
Payment to refunded bond escrow agent						
Total Other Financing Uses	\$ 0	\$ 0	\$ 1	\$ 1	\$ 1	\$ 1
Excess of Other Financing Sources Over (Under) Other Financing Uses	\$ 47,209	\$ 57,751	\$ 21,207	\$ 21,930	\$ 68,416	\$ 79,681
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$	\$	\$	\$	\$	\$
Fund balances - Beginning of fiscal year						
Fund balances - End of fiscal year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

## Description of Expendable Trust Fund

### **TRANSPORTATION RELATED TRUST FUND**

To achieve administrative efficiencies, effective October 1, 1990, the Special Federal Bridge Replacement Trust Fund, the Federal County Road Trust Fund, the Federal Urban Transportation System Trust Fund, and the Highway Topics and Safety Program Trust Fund were combined in a single trust fund. The functions and purposes of these funds, although combined in a single fund, remain unchanged. At the end of fiscal year 1999-2000, the Metropolitan Planning Fund was closed to this trust fund. Changes in the financial activities of the Metropolitan Planning Fund changed the Michigan Department of Transportation's role from a custodial agent to a trustee. The following subfunds are included in the trust fund:

#### **SPECIAL FEDERAL BRIDGE REPLACEMENT TRUST FUND**

This Fund was authorized by enabling legislation associated with Section 144 of the Federal Highway Act of 1970. The Fund accounts for the federal, State, and local money used to upgrade State-owned and locally owned bridges.

#### **FEDERAL COUNTY ROAD TRUST FUND**

This Fund was authorized by enabling legislation associated with the Federal Highway Act of 1944, as amended. The Fund accounts for the federal, State, and local money expended to meet the road construction needs of rural areas and communities with populations less than 5,000.

#### **FEDERAL URBAN TRANSPORTATION SYSTEM TRUST FUND**

This Fund was authorized by enabling legislation associated with the Federal Highway Act of 1970, as amended. The Fund accounts for the federal, State, and local money expended to meet the road construction needs of communities with populations of 5,000 or more.

#### **HIGHWAY TOPICS AND SAFETY PROGRAM TRUST FUND**

This Fund was authorized by enabling legislation associated with the Federal Highway Acts of 1968 and 1973. The Fund accounts for federal, State, and local money used to fund urban and road safety projects.

**METROPOLITAN PLANNING FUND**

This Fund was established by Sections 112 and 134 of the Federal Highway Act of 1973 to account for federal funds that reimburse local regional planning agencies for operating expenses.

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Balance Sheet - Expendable Trust Fund  
Transportation Related Trust Fund  
As of September 30  
(In Thousands)

	<u>2000</u>	<u>1999</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$	\$ 4,410
Receivables:		
Federal aid	23,771	16,760
Local units	14,798	10,180
Miscellaneous	211	67
Total Assets	<u>\$ 38,780</u>	<u>\$ 31,417</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Warrants outstanding	\$ 3,413	\$ 4,013
Accounts payable	25,618	23,292
Contract reserve payable	3,885	3,643
Due to other funds	3,345	0
Deferred revenue	2,519	469
Total Liabilities	<u>\$ 38,780</u>	<u>\$ 31,417</u>
Fund Balances	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 38,780</u>	<u>\$ 31,417</u>

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Expendable Trust Fund  
Transportation Related Trust Fund  
Fiscal Years Ended September 30  
(In Thousands)

	<u>2000</u>	<u>1999</u>
<b>REVENUES</b>		
Federal aid	\$ 166,468	\$ 115,884
Local participation	46,504	43,096
Miscellaneous	<u>492</u>	<u>48</u>
Total Revenues	<u>\$ 213,464</u>	<u>\$ 159,028</u>
<b>EXPENDITURES</b>		
Payments to contractors and miscellaneous project costs	\$ 192,527	\$ 142,321
Federal pass-through funds to locals	29,338	16,280
State participation costs incurred by locals	247	3
Local participation costs to third party	10	
Comprehensive Transportation Fund participation costs incurred by locals	<u>2,371</u>	<u>1</u>
Total Expenditures	<u>\$ 224,493</u>	<u>\$ 158,605</u>
 Excess of Revenues Over (Under) Expenditures	 <u>\$ (11,029)</u>	 <u>\$ 423</u>
<b>OTHER FINANCING SOURCES</b>		
Transfer from State Trunkline Fund	\$ 8,236	\$ 96
Transfer from Comprehensive Transportation Fund	2,370	18
Transfer from other funds	<u>610</u>	
Total Other Financing Sources	<u>\$ 11,216</u>	<u>\$ 114</u>
<b>OTHER FINANCING USES</b>		
Transfer to Department of Treasury for operations	\$ 1	1
Transfer to Comprehensive Transportation Fund		15
Transfer to State Trunkline Fund	<u>186</u>	<u>522</u>
Total Other Financing Uses	<u>\$ 187</u>	<u>\$ 537</u>
 Excess of Other Financing Sources Over (Under) Other Financing Uses	 <u>\$ 11,029</u>	 <u>\$ (423)</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 \$ 0	 \$ 0
 Fund balances - Beginning of fiscal year	 <u>                    </u>	 <u>                    </u>
Fund balances - End of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>

## Description of Agency Fund

### **METROPOLITAN PLANNING FUND**

This Fund was established by Sections 112 and 134 of the Federal Highway Act of 1973 to account for federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the Fund, approximately 80% of which is reimbursed to the local unit by the federal government. The financing accounted for in this Fund consists of federal and local money. No State funds are involved.

The Fund was closed to the Transportation Related Trust Fund at the end of fiscal year 1999-2000. Changes in the financial activities of this Fund subsequently changed the Michigan Department of Transportation's role from a custodial agent to a trustee.

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Statement of Changes in Assets and Liabilities - Agency Fund  
Metropolitan Planning Fund  
Fiscal Years Ended September 30, 1999 and 2000  
(In Thousands)

	Balance October 1, 1998	Additions	Deductions	Balance September 30, 1999	Additions	Deductions	Balance September 30, 2000
<b>ASSETS</b>							
Current Assets:							
Equity in Common Cash	\$ 1,388	\$ 5,793	\$ 7,062	\$ 119	\$ 1,236	\$ 1,355	\$ 0
Amounts due from federal agencies	77	126	77	126		126	0
Total Assets	<u>\$ 1,465</u>	<u>\$ 5,920</u>	<u>\$ 7,139</u>	<u>\$ 246</u>	<u>\$ 1,236</u>	<u>\$ 1,481</u>	<u>\$ 0</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Warrants outstanding	\$ 28	\$ 29	\$	\$ 57	\$	\$ 57	\$ 0
Accounts payable and other liabilities	1,437	5,952	7,200	189	1,266	1,455	0
Total Liabilities	<u>\$ 1,465</u>	<u>\$ 5,981</u>	<u>\$ 7,200</u>	<u>\$ 246</u>	<u>\$ 1,266</u>	<u>\$ 1,512</u>	<u>\$ 0</u>

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Economic Development Fund  
Fiscal Years Ended September 30  
(In Thousands)

	<u>2000</u>	<u>1999</u>
<b>REVENUES AND OTHER SOURCES</b>		
Licenses and permits	\$ 14,024	\$ 12,621
Federal aid	31,943	27,615
Local participation	16,087	26,511
Interest earnings	6,197	4,677
Michigan Transportation Fund distribution	40,275	40,275
Miscellaneous	<u>733</u>	<u>2,329</u>
Total Revenues and Other Sources	<u>\$ 109,259</u>	<u>\$ 114,028</u>
<b>EXPENDITURES AND OTHER USES</b>		
Administration	\$ 305	\$ 300
Forest roads	5,017	5,040
Target industries - State takeovers	18,169	41,330
Rural county urban system	4,115	5,745
Urban county congestion	11,411	22,772
Rural county primary	42,301	29,315
Debt service	<u>6,608</u>	<u>10,834</u>
Total Expenditures and Other Uses	<u>\$ 87,926</u>	<u>\$ 115,336</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 21,333	\$ (1,308)
Fund Balances - October 1	<u>62,351</u>	<u>63,659</u>
Fund Balances - September 30	<u><u>\$ 83,684</u></u>	<u><u>\$ 62,351</u></u>

The Economic Development Fund (EDF) was created as a subfund of the State Trunkline Fund during fiscal year 1987-88. The amounts shown above have been reported as part of the State Trunkline Fund in previous statements of this report. This supplemental schedule was prepared to provide additional information pertaining specifically to EDF.

Revenues are derived from the Michigan Transportation Fund, increased motor vehicle fee income, federal funds for expenditures eligible for matching, local matching funds which are not less than 25% for each project, and interest earnings. EDF money is expended for the purpose of enhancing the State's ability to compete in an international economy, serving as a catalyst for the economic growth of the State, and improving the quality of life in the rural and urban areas of the State.

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Blue Water Bridge Fund  
Fiscal Years Ended September 30  
(In Thousands)

	<u>2000</u>	<u>1999</u>
<b>REVENUES AND OTHER SOURCES</b>		
Interest earnings	\$ 986	\$ 650
Miscellaneous	15,548	10,804
Total Revenues and Other Sources	<u>\$ 16,534</u>	<u>\$ 11,454</u>
<b>EXPENDITURES AND OTHER USES</b>		
Administration and maintenance	\$ 3,130	\$ 2,729
Roads and bridges	2,276	405
Grants and transfers to other funds	9	7
Debt service	2,312	2079
Total Expenditures and Other Uses	<u>\$ 7,727</u>	<u>\$ 5,220</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 8,807	\$ 6,234
Fund Balances - October 1	<u>(24,004)</u>	<u>(30,239)</u>
Fund Balances - September 30	<u>\$ (15,197)</u>	<u>\$ (24,004)</u>

The Blue Water Bridge Fund (BWBF) was created as a subfund of the State Trunkline Fund during fiscal year 1993-94. The amounts shown above have been reported as part of the State Trunkline Fund in previous statements of this report. This supplemental schedule was prepared to provide additional information pertaining specifically to BWBF.

Through provisions of Section 1012 of the federal Intermodal Surface Transportation Efficiency Act of 1991, the State Trunkline Fund received federal funds to be loaned to BWBF for construction of the Blue Water Bridge project. Repayment of the \$45 million loan will begin no later than five years after the facility is opened to traffic. The term of the loan will not exceed 30 years from the time the loan was obligated.

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Schedule of Debt Service Requirements on Outstanding Bonds  
State Trunkline Fund and Comprehensive Transportation Fund  
September 30, 2000  
(In Thousands)

Fiscal Years Ending September 30	State Trunkline Fund			Comprehensive Transportation Fund			Combined Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 18,670	\$ 28,530	\$ 47,200	\$ 10,465	\$ 11,232	\$ 21,697	\$ 29,135	\$ 39,763	\$ 68,898
2002	19,690	27,512	47,202	11,130	10,668	21,798	30,820	38,180	69,000
2003	20,780	26,422	47,202	11,545	10,057	21,602	32,325	36,479	68,804
2004	21,785	25,423	47,208	12,330	9,404	21,734	34,115	34,826	68,941
2005	22,700	24,504	47,204	13,945	8,671	22,616	36,645	33,175	69,820
2006	22,755	23,866	46,621	15,265	7,801	23,066	38,020	31,668	69,688
2007	24,670	23,495	48,165	16,135	6,935	23,070	40,805	30,430	71,235
2008	25,095	23,071	48,166	17,055	6,012	23,067	42,150	29,083	71,233
2009	25,525	22,638	48,163	18,010	5,060	23,070	43,535	27,697	71,232
2010	26,070	22,091	48,161	19,140	3,924	23,064	45,210	26,015	71,225
2011	26,750	21,415	48,165	20,190	2,876	23,066	46,940	24,291	71,231
2012	27,470	20,703	48,173	6,660	2,068	8,728	34,130	22,771	56,901
2013	28,210	19,952	48,162	6,985	1,711	8,696	35,195	21,663	56,858
2014	29,375	18,788	48,163	7,345	1,341	8,686	36,720	20,129	56,849
2015	30,975	17,190	48,165	1,780	951	2,731	32,755	18,141	50,896
2016	32,660	15,505	48,165	1,875	853	2,728	34,535	16,357	50,892
2017	34,470	13,692	48,162	1,980	750	2,730	36,450	14,441	50,891
2018	36,420	11,742	48,162	2,090	641	2,731	38,510	12,383	50,893
2019	38,480	9,683	48,163	2,200	526	2,726	40,680	10,208	50,888
2020	40,530	7,633	48,163	2,325	405	2,730	42,855	8,038	50,893
2021	42,570	5,600	48,170	2,450	277	2,727	45,020	5,877	50,897
2022	44,745	3,419	48,164	2,585	142	2,727	47,330	3,561	50,891
2023	12,170	1,975	14,145			0	12,170	1,975	14,145
2024	12,800	1,350	14,150			0	12,800	1,350	14,150
2025	13,455	694	14,149			0	13,455	694	14,149
2026	3,485	270	3,755			0	3,485	270	3,755
2027	3,665	92	3,757			0	3,665	92	3,757
Total	<u>\$685,970</u>	<u>\$417,254</u>	<u>\$1,103,224</u>	<u>\$203,485</u>	<u>\$92,303</u>	<u>\$295,788</u>	<u>\$889,455</u>	<u>\$509,557</u>	<u>\$1,399,012</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 1998 through September 30, 2000  
(In Thousands)

			For the Fiscal Year Ended September 30, 1999		
	CFDA (2) Program Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
Federal Agency/Program					
<b>U.S. Department of Transportation</b>					
Direct Programs:					
Airport Improvement Program	20.106		\$ 49,703	\$ 1,324	\$ 51,027
Highway Planning and Construction	20.205		622,254	47,922	670,176
Local Rail Freight Assistance	20.308		258		258
Federal Transit Capital Investment Grants	20.500		1,902	10,141	12,043
Federal Transit Metropolitan Planning Grants	20.505		54		54
Formula Grants for Other Than Urbanized Areas	20.509		860	5,281	6,141
Total Direct Programs			\$ 675,031	\$ 64,668	\$ 739,699
Pass-Through Program:					
Michigan Department of State Police					
National Motor Carrier Safety	20.218	97-0066	83	0	83
<b>Total U.S. Department of Transportation</b>			<b>\$ 675,114</b>	<b>\$ 64,668</b>	<b>\$ 739,782</b>
Total Expenditures of Federal Awards			\$ 675,114	\$ 64,668	\$ 739,782

- (1) Basis of Presentation: This schedule includes the federal grant activity of the Michigan Department of Transportation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

- (2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

<u>For the Fiscal Year Ended September 30, 2000</u>			Total Expended and Distributed for the Two-Year Period
<u>Directly Expended</u>	<u>Distributed to Subrecipients</u>	<u>Total Expended and Distributed</u>	
\$ 56,298	\$ 383	\$ 56,681	\$ 107,708
827,312	54,308	881,620	1,551,796
283		283	541
830	8,567	9,397	21,440
1,250	223	1,473	1,527
1,982	6,037	8,019	14,160
<u>\$ 887,955</u>	<u>\$ 69,518</u>	<u>\$ 957,473</u>	<u>\$ 1,697,172</u>
84	0	84	167
<u><b>\$ 888,039</b></u>	<u><b>\$ 69,518</b></u>	<u><b>\$ 957,557</b></u>	<u><b>\$ 1,697,339</b></u>
<u><u><b>\$ 888,039</b></u></u>	<u><u><b>\$ 69,518</b></u></u>	<u><u><b>\$ 957,557</b></u></u>	<u><u><b>\$ 1,697,339</b></u></u>

## OTHER SCHEDULES

MICHIGAN DEPARTMENT OF TRANSPORTATION

Summary Schedule of Prior Audit Findings

As of September 30, 2000

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

Audit Findings That Have Been Fully Corrected:

<b>Audit Period:</b>	October 1, 1996 through September 30, 1998
<b>Finding Number:</b>	599902
<b>Finding Title:</b>	Requests for Additional Spending Authority
<b>Finding:</b>	The Michigan Department of Transportation's (MDOT's) internal control was not effective in ensuring that support for Act 51, P.A. 1951 requests for additional spending authority was based on accurate accounting information.
<b>Comments:</b>	In fiscal year 1998-99, the Financial Operations Division strengthened its internal control and all requests for Michigan Transportation Fund revenue distribution spending authority are now based on actual revenue.
<b>Audit Period:</b>	October 1, 1996 through September 30, 1998
<b>Finding Number:</b>	599903
<b>Finding Title:</b>	Operating Transfers
<b>Finding:</b>	MDOT did not record a nonrecurring operating transfer in accordance with generally accepted accounting principles.
<b>Comments:</b>	MDOT has implemented additional review steps for nonrecurring transactions, which include consulting with the Office of Financial Management, Department of Management and Budget, as appropriate, to ensure compliance with Governmental Accounting Standards Board standards.
<b>Audit Period:</b>	October 1, 1996 through September 30, 1998
<b>Finding Number:</b>	599904
<b>Finding Title:</b>	Annual Physical Inventories
<b>Finding:</b>	MDOT's internal control did not ensure that MDOT conducted required annual physical inventories of its microcomputers.

**Comments:** MDOT completed a physical inventory of microcomputers during July 2000 and had implemented controls to ensure that physical inventories are annually conducted.

Audit Findings Not Corrected or Partially Corrected:

**Audit Period:** October 1, 1996 through September 30, 1998

**Finding Number:** 599901

**Finding Title:** Accounting Practices

**Finding:** MDOT needs to strengthen its internal control to ensure appropriate, complete, and accurate recording and reporting of financial transactions.

**Comments:** The Financial Operations Division is in the process of updating and documenting policies and procedures to reflect current procedures and the changes required with the implementation of the Statewide accounting system, the Michigan Administrative Information Network (MAIN), in addition to MDOT's organizational changes. These policies and procedures should strengthen MDOT's internal control. The process should be completed by July 31, 2001.

**Audit Period:** October 1, 1996 through September 30, 1998

**Finding Number:** 599905

**Finding Title:** Payroll Controls

**Finding:** MDOT did not implement proper control activities\* for certain Personnel-Payroll Information System for Michigan\* (PPRISM) functions.

**Comments:** The Office of Human Resources implemented procedures that disallow employees from changing their own personnel records.

MDOT will implement a process for fiscal year 2000-01 where an annual certification will be signed by a division administrator, office head, or a region engineer. Included in the certification is a statement that says that all time reports are supported with either the employee-submitted time report or a timekeeper-generated time report with a written signature by the employee.

\* See glossary at end of report for definition.

**Audit Period:** October 1, 1996 through September 30,1998  
**Finding Number:** 599906  
**Finding Title:** Procurement Cards  
**Finding:** MDOT's internal control did not ensure the proper use of procurement cards\*.  
**Comments:** MDOT will address the finding in the next update of the procurement card manual. The next update will be complete by April 30, 2001.

#### **PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

##### Audit Findings Not Corrected or Partially Corrected:

**Audit Period:** October 1, 1996 through September 30,1998  
**Finding Number:** 599907  
**Finding Title:** Payroll Controls  
**Finding:** See Finding 599905 with the findings related to the financial statements.

\* See glossary at end of report for definition.

MICHIGAN DEPARTMENT OF TRANSPORTATION

Corrective Action Plan

As of May 31, 2001

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**Finding Number:** 590101  
**Finding Title:** Equipment  
**Management Views:** We concur.  
**Corrective Action:** The Financial Operations Division, Bureau of Finance and Administration, is reviewing the procedures for the Michigan Department of Transportation's (MDOT's) automotive fleet, tagged equipment, and inventory. The procedures will be updated as necessary to improve controls over accounting for equipment. These procedures will also include bus inventory and aeronautic equipment. The procedures will include a requirement that annual physical verification occur.  
**Anticipated Completion Date:** September 30, 2001  
**Responsible Individual:** Edward A. Timpf, Administrator, Financial Operations Division

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**Finding Number:** 590102  
**Finding Title:** Controls Over MAIN User Access  
**Management Views:** We concur.  
**Corrective Action:** The Financial Operations Division, Bureau of Finance and Administration, documented procedures in October 2000 related to incompatible user class combinations. The procedures include running Management Information Database (MIDB) scripts to identify incompatible user class combinations. For those incompatible combinations that are needed, a justification is sent to the Office of Financial Management, Department of Management and Budget, with a copy on file in the agency security

administrator's office. Compensating controls are in place for all incompatible user class combinations.

Procedures were also put in place to run an MIDB query twice a month which captures all MDOT departures, including transfers, promotions, medical leave, etc. Michigan Administrative Information Network (MAIN) access is deleted for all departures listed on the report. For transfers and promotions, MAIN access is verified. For medical leave, the user level status is changed to inquiry only.

**Anticipated Completion Date:** Completed October 2000

**Responsible Individual:** Edward A. Timpf, Administrator, Financial Operations Division

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#### **FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards for fiscal years 1998-99 and 1999-2000.

## Glossary of Acronyms and Terms

BWBF	Blue Water Bridge Fund.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>
control activities	A component of internal control that includes the policies and procedures that help ensure that management directives are carried out.
DMB	Department of Management and Budget.
EDF	Economic Development Fund.
FACS	Financial Administration and Control System.
FHWA	Federal Highway Administration.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
GAAP	accounting principles generally accepted in the United States of America.
IBA	International Bridge Administration.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with applicable laws and regulations.
JIBA	Joint International Bridge Authority.

low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or statement amounts.
material weakness	A condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
MDOT	Michigan Department of Transportation.
Michigan Administrative Information Network (MAIN)	A fully integrated automated financial management system for the State of Michigan.
MIDB	Management Information Database.

mission	The agency's main purpose or the reason that the agency was established.
OFM	Office of Financial Management.
OMB	U.S. Office of Management and Budget.
Personnel-Payroll Information System for Michigan (PPRISM)	An online database system used for updating and inquiry of personnel and payroll records.
procurement card	A MasterCard credit card issued to State of Michigan employees to purchase certain goods and services at the request of and for the legitimate business benefit of the State of Michigan.
questioned costs	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
SMRBC	St. Mary's River Bridge Company.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	An auditor's opinion in which the auditor states, without reservation, that the financial schedules and/or financial statements are fairly presented in conformity with the disclosed basis of accounting or are fairly presented in relation to the primary financial schedules and/or statements or an auditor's opinion in which the auditor states, without reservation, that the audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.